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Israel	0.00	Sheqel	Thailand	0.00	Baht	Korea	100	Won
Italy	1511	Lira	Turkey	0.00	Lira	Laos	100	Kip
Japan	100	Yen	U.S.A.	0.00	Dollar	Malaysia	100	Ringgit
Korea	100	Won	Yugoslavia	0.00	Dinar	Mexico	100	Peso
Laos	100	Kip				Morocco	100	Dirham
Malaysia	100	Ringgit				Netherlands	200	Guilder
Mexico	100	Peso				Norway	4.50	N.Kr.
Morocco	100	Dirham				Sweden	4.00	Skr.
Netherlands	200	Guilder				Switzerland	1.00	Sfr.
Norway	4.50	N.Kr.				Taiwan	0.00	Dollar
Sweden	4.00	Skr.				Thailand	0.00	Baht
Switzerland	1.00	Sfr.				Turkey	0.00	Lira
Taiwan	0.00	Dollar				U.S.A.	0.00	Dollar
Thailand	0.00	Baht				Yugoslavia	0.00	Dinar
Turkey	0.00	Lira						
U.S.A.	0.00	Dollar						
Yugoslavia	0.00	Dinar						

Space Shuttle Seen as Crucial to Future of Warfare

Strategists Say Launch in April Will Open Possibility for Manned Military Operations

By Richard D. Lyons
New York Times Service
WASHINGTON — The launching of the space shuttle in April will be a crucial event in the history of warfare, as Pentagon officials and military strategists are now saying.

The shuttle, which is being developed as a military space plane, is being designed to carry out a variety of missions, including reconnaissance, communication, and the delivery of weapons. The shuttle is being designed to carry out a variety of missions, including reconnaissance, communication, and the delivery of weapons.

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Poland Signals New Resolve in Growing Crisis

By John Damron
New York Times Service

WARSAW — A crucial Central Committee meeting, which may well decide whether Poland's Communist Party opposes or cooperates with Solidarity, opened Sunday with an attack upon the independent union from a ranking Politburo member.

The meeting was held in a small church in Warsaw. The meeting was held in a small church in Warsaw. The meeting was held in a small church in Warsaw.

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Indonesia Accedes to Jackers

Prisoners Sought; Still in Bangkok

From Agency Dispatches
BANGKOK — Indonesia will release more than 40 prisoners of war held by Indonesian guerrillas in Bangkok, a Thai government spokesman said Sunday.

The spokesman said that the Indonesian government had agreed to release the prisoners. The spokesman said that the Indonesian government had agreed to release the prisoners.

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A man, apparently American Karl Schneider, lies under the cockpit of a hijacked Indonesian jet signaling with a handkerchief after being shot and thrown from the plane in Bangkok.

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Washington Backs Talks On Namibia

Reagan to Pursue Carter's Initiative

By Don Oberdorfer
Washington Post Service
WASHINGTON — The Reagan administration, in a decision of major significance in its policy on southern Africa, has decided to pick up the threads of the Carter administration's program of international negotiations to bring independence to South-West Africa (Namibia).

The decision to continue U.S. efforts to reach an internationally negotiated settlement was conveyed to Ishaya Audu, the Nigerian foreign minister, by Secretary of State Alexander M. Haig Jr. on Sunday.

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Lech Walesa, of the Polish independent trade union, Solidarity, and his secretary prayed Sunday in a small church in Warsaw.

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Tass Claims Polish Union Resorts to 'Open Struggle'

By Anthony Austin
New York Times Service

MOSCOW — The Soviet Union pressed its attacks against the Polish trade union Solidarity on Sunday, accusing it of trying to intimidate Polish security forces and wrest control from the government.

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Reagan Links Grain Ban to Soviet Pressure on Poland

He Asserts That Summit Would Have to Discuss Soviet 'Imperialism'

By Lou Cannon
and Lee Lescaze
Washington Post Service

WASHINGTON — Expressing a grim view of U.S. relations with Moscow, President Reagan said in an Oval Office interview that he will refuse to lift the grain embargo at this time and that any summit meeting with the Russians would have to include discussion of "the imperialism of the Soviet Union."

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Four plane hijackers in Panama City keep their faces covered as they leave a Honduran plane, followed by Panama government official Ricardo Rodriguez, after arriving Saturday in Managua and surrendering. All hostages aboard the New Orleans-bound plane were freed.



BASQUE PATROL — Spanish soldiers on patrol at Echalar, near the French border, to prevent infiltration by Basque guerrillas — part of the armed forces' new role in the government's anti-terrorist campaign. Elsewhere in the region, a suspected Basque terrorist was killed, another wounded and a third arrested Sunday in a clash with national police in Vitoria.

India Campaigning to Dissuade U.S. on Arms Sales to Pakistan

By Stuart Auerbach

Washington Post Service

NEW DELHI — India is mounting a major diplomatic campaign in an attempt to persuade the Reagan administration to abandon plans to sell arms to Islamabad to make Pakistan a front-line state against Soviet advances in the Gulf.

In a series of meetings in New Delhi with Western ambassadors whose governments are believed to have influence on Washington, Prime Minister Indira Gandhi's government has argued that large-scale U.S. weapons sales to Pakistan would destabilize the region, force India into an arms race and drive it closer to its major arms supplier, the Soviet Union.

The Indians maintain that arms sold to Pakistan as a counter to Soviet expansion have twice ended up being used against India.

Furthermore, Indian diplomats

have insisted that revitalizing the formerly close defense links between Washington and Islamabad would serve primarily to maintain President Mohammed Zia ul-Haq in power and once more place the United States in the position of supporting an unpopular military government.

Besides making those points to some of the United States' closest allies, Foreign Minister P.V. Narasimha Rao has called in U.S. Charge d'Affaires Archer Blood to express India's strong objections to a heavy rearming of Pakistan.

India's ambassador to Washington, K.R. Narayanan, has been instructed to press the point during his initial meeting with Secretary of State Alexander M. Haig Jr., scheduled for Tuesday, and a senior Indian Foreign Ministry official, Eric Gonsalves, is planning to go to Washington in early April to buttress New Delhi's arguments.

U.S. Considers Resuming Pakistan Military Training

By Don Oberdorfer

Washington Post Service

WASHINGTON — The United States is making "measured" progress toward repairing its often-disrupted relationship with Pakistan and may soon resume a military training program for the Pakistani armed forces, the State Department has announced.

The statement Friday by spokesman William Dyess, plus remarks by Secretary of State Alexander M. Haig Jr. and a statement issued in Islamabad, all indicated that no quick breakthrough on a new security relationship with Pakistan can be expected.

Repair of the Pakistani ties has had a high priority in the Reagan administration, which is placing major emphasis on building an informal alliance to counter Soviet influence in southwest Asia.

The administration is also considering increased aid to rebel forces in Afghanistan. The key to this is Pakistan, which shares a long border with Afghanistan and thus has become a "front-line" state in the region.

U.S. Ambassador Arthur W. Hummel Jr. and Pakistani officials in Islamabad have completed a first round of talks, the State Department said. "We believe they have laid the foundation for a durable bilateral relationship," said Mr. Dyess, who also announced further talks in Washington during an impending visit by Pakistani Foreign Minister Agha Shahi.

Mr. Dyess said that, as the initial gesture of a renewed relationship, the Reagan administration is considering resumption of military training for Pakistani armed forces.

Such training was suspended when the United States cut off economic and military aid to Pakistan in April, 1979, under laws dealing with nuclear weapons proliferation, because of Pakistan's nuclear program.

Increased Pakistani military purchases from the United States are also expected, Mr. Dyess said. The Reagan administration recently asked Congress to amend anti-proliferation laws to make it possible to aid Pakistan despite its continuing nuclear weapons drive, on grounds of U.S. national interest. Such a legislative change would take many months to enact unless the administration made a higher priority request.

The administration reportedly has drawn up a tentative plan to provide \$500 million in assistance to Pakistan — about \$400 million in military sales loans, some at subsidized rates, and \$100 million in economic support.

Mr. Dyess would not confirm

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Fingers Point at Warsaw for Violence in Bydgoszcz

By John Damton

New York Times Service

WARSAW — The incident that sparked Poland's latest and deepest crisis has not been fully explained.

A large group of Solidarity and farmers' union activists came to a meeting of the Voivode National Council, a local assembly, in Bydgoszcz on March 19. Some were invited, but not all. The meeting was adjourned before it reached the agenda item on which they wanted to speak. They rose, shouted "Traitors!" and refused to go. They were given several ultimatums, and finally, after a large crowd gathered outside, the police were called in.

They evicted the unionists, isolating three men, including a Solidarity leader, Jan Rulicki, in a back corridor. At that point, men in street clothes — undoubtedly secret police — moved in to administer thrashings so brutal that the three had to be hospitalized.

Beatings of this sort are not unknown in Eastern Europe, or for that matter, in the back rooms of American police stations. So why

did the brutality raise up such a storm of protest and bring Poland to its moment of truth, with the union planning a general strike Tuesday at a time when economic deprivations have turned the country into a tinderbox and Warsaw Pact troops are engaged in prolonged military exercises inside and outside its borders?

NEWS ANALYSIS

One reason is that the incident was not isolated. There have been other attacks, although none so brazen, on individual unionists, mainly members of the farmers' organization Rural Solidarity. There have also been mysterious occurrences such as the circulation of anonymous leaflets calling for the assassination of various officials and the patrolling of neighborhoods by trucks whose public address systems warn residents, falsely, that their water will be turned off during the next strike.

Deliberate Campaign Seen
To Solidarity, all this connotes a deliberate campaign of misinformation and provocation, the sort

of thing that the Interior Ministry, which is deeply infiltrated by the Soviet KGB, has specialized in for decades.

It is virtually inconceivable, given the country's tension, the leadership's policy of resolving disputes without force and the elaborate bureaucratic command structure, that the deputy governor in Bydgoszcz would make a decision to call in the police without checking first with someone in Warsaw.

In an open letter to party colleagues called "Which Way Will We Choose?" Stefan Bratkowski, head of the journalists' union, said: "This is the last chance for those who would like to turn the party back from the road of agreement and lead our nation unavoidably to catastrophe. These are the people who don't want to come to agreement even with the party rank and file, are afraid of them and are attempting at all costs to delay the party congress."

Rumor has it that an early draft of Mr. Bratkowski's letter contained the names of six high officials whom he deemed obstructive to the country's advance, or democratic renewal.

But Solidarity's real opponents are more deeply embedded in the power structure, in the Warsaw party organization, in the security services, and in the middle ranks of the party apparatus, where party policy is put into practice.

Pope Again Appeals for Peace in Poland



John Paul II

VATICAN CITY — Pope John Paul II has made his second appeal within 24 hours for a peaceful settlement of the Polish crisis and has indirectly warned other nations against interfering in Poland's affairs.

The pontiff was speaking from the window of his private study to thousands of pilgrims in St. Peter's Square for the traditional Sunday blessing. Stressing that Poles had the right to resolve their internal difficulties by their own means, he said: "They want to do so and they are capable of doing so."

The pope also recalled the final act of the Helsinki Conference on European Cooperation and Security on the principles of noninterference. The act obliged the "partici-

pating nations to abstain from direct, indirect or collective intervention" in the affairs of any country.

The pope did not mention the country in connection with the crisis, but Vatican sources said a remark appeared to have been directed at the Soviet Union and Poland's Warsaw Pact allies.

In a letter to Polish Prime Minister Jacek Kuroniusz, the pope said that Poles were the debtors of their own future and not the victims of foreign powers. He said that each man from various parts of Poland should work for the good of the working people as co-workers of the need to devote their lives fully to their work in order to make the country's economic situation better, the pope wrote.

WORLD NEWS BRIEFS

Iran Reports Murder Attempt on Clergyman

TEHRAN — A prominent supporter of Ayatollah Ruhollah Khomeini, Iran's revolutionary leader, has been shot and wounded in an assassination attempt in the central province of Fars, officials report Sunday.

Two young men on a motorcycle fired at Ayatollah Rabbani Shirazi, Ayatollah Khomeini's personal representative in the province, as he sat in his car in Shiraz, the reports said. He was hit in the neck, but the wound was described as minor.

The newspaper Esla said that responsibility for the attack had been claimed by Forghan, an underground group involved in previous shootings of prominent Shiite Moslem clergymen. President Abolhasan Bani-Sadr called the attack "a daring call of danger, a warning to society about the spread of terrorism."

Accused Spy in Iran Claims Forgery by CIA

TEHRAN — Abbas Amir Entezam, a former deputy premier accused of espionage, testified Sunday that the CIA had forged the documents on which the Iranian charges were based.

"They have been prepared by the agents of the most criminal government of the world and cannot be used in an Islamic court against a Moslem," Mr. Entezam said of the documents, found at the U.S. Embassy in Iran after it was seized by militants in November, 1979. "It is possible that these corrupt [CIA] agents have forged documents to be used in shattering the national unity of Iran."

The trial, before an Islamic revolutionary tribunal at Evin Prison in Tehran, was later adjourned until next Saturday, Mr. Entezam, 47, who served in early 1979 as deputy premier in the interim government of Mehdi Bazargan, was arrested in December of that year.

Viola Sworn In as 38th President of Argentina

BUENOS AIRES — Gen. Roberto Viola was sworn in Sunday as Argentina's 38th president. He had been named to the position in October by the ruling military junta.

Gen. Viola, considered a moderate by his fellow military officers, succeeded Gen. Jorge Rafael Videla, who held the position since the armed forces overthrew Isabel Peron on March 24, 1976.

Gen. Viola, 56, has promised to bring the country closer to democracy but ruled out elections during his three-year term. His 13-man Cabinet, however, is the first since the 1976 coup to be dominated by civilians.

Zimbabwe Cuts Guerrillas' Pay After Clashes

SALISBURY — Prime Minister Robert Mugabe has cut in half the pay of several thousand Zimbabwe guerrillas involved in factional fighting last month, it was confirmed Sunday. There was no immediate indication of how the guerrillas reacted, but police said there had been no trouble.

The clashes at four guerrilla camps left at least 200 persons dead. The pay deductions will be used to help cover the costs, estimated at \$16 million, of repairing or rebuilding hundreds of homes destroyed and damaged by guerrillas near Bulawayo, a government spokesman said.

The battles were fought between guerrillas loyal to Prime Minister Robert Mugabe and those of his junior coalition government partner, Joshua Nkomo. Since then, all but one large camp of guerrillas loyal to Mr. Nkomo have been dismantled, and those guerrillas will be disbanded soon, a government spokesman said. The guerrillas are awaiting integration into the national army.

Mountbatten Named in 1968 U.K. Coup Plot

LONDON — The Sunday Times reported that the late Earl Mountbatten was involved in a 1968 military plot to overthrow the government of Harold Wilson. The newspaper said Lady Mountbatten, Mr. Wilson's political secretary, named the earl as a prime mover in the affair, assisted by Lord Mountbatten, who was killed by the Irish Republican Army in 1979, was related to both Queen Elizabeth and her husband Prince Philip. Sir Martin Furlong Jones, former chief of the M15 intelligence branch, said one military figure involved in the plot was a major general but that the group was "a pretty loony crew." "No one was charged or disciplined."

Mr. Wilson said Sunday night that there was in fact a plot to take over the government when he was prime minister but he strongly denied that Lord Mountbatten was behind it. He described the Sunday Times story as an unwarranted slur on the earl's memory.

Security Adviser's View

The intelligence estimate on terrorism was begun soon after the Reagan administration took office, officials said. Secretary of State Alexander M. Haig Jr. asserted on Jan. 28 in his first news conference that the Soviet Union, as part of a "conscious policy," was "training, funding and equipping" international terrorists.

The administration has subsequently said that combating international terrorism is one of its key foreign policy objectives.

In addition, Richard V. Allen, President Reagan's national security adviser, said in a recent interview with ABC News that "ample

Estonian Exile Says Dissident Has Died

STOCKHOLM — An Estonian dissident, sentenced earlier this year to two years' hard labor, has died in a Soviet labor camp, according to a leading Estonian exile. He said Sunday that the wife of Juri Kukk had received a telegram from the Soviet security police saying he would be buried Monday.

The exile leader, Ants Kypar, chairman of the Stockholm-based Center for Estonian Prisoners of Conscience in the Soviet Union, said friends in Estonia had told him by telephone of the telegram. He said it did not disclose how or when Mr. Kukk, 40, a chemistry professor, had died.

The Russians, meanwhile, are engaged in a major effort to expand their influence on Afghanistan's economy and society.

Three technical schools staffed by Russian instructors have been established. Technical training and driving education have been offered to 850 Afghan youths. The Soviet Union has agreed to provide experts on agriculture, health, transportation, scientific development and cultural affairs. A five-year agreement on the exchange of goods between the two countries is under negotiation.

Entire Squads Defect

The government of President Babrak Karmal has been unsuccessful in its intensive efforts to recruit for the Afghan Army, which is now less than half its pre-intervention strength of 80,000. The government has also failed to halt desertion. Many of the insurgents

CIA Draft Report Is Said to Be Doubtful About Soviet Links to World Terrorism

By Judith Miller

New York Times Service

WASHINGTON — A draft report produced by the Central Intelligence Agency has concluded that there is not enough evidence to support administration charges that the Soviet Union is directly helping to foment international terrorism, according to congressional and administration sources.

They said Saturday that William J. Casey, director of the CIA, had asked his analysts to review their conclusions, considering the substantial opposition to the report from other agencies.

The draft estimate, produced by the CIA's national foreign assessments center, has stirred debate within administration foreign policy circles, as Moscow has been publicly accused by foreign affairs spokesmen of training, equipping and financing international terrorist groups.

The review of the draft estimate has again raised questions about the relationship between intelligence officials and policy-makers. Some officials of the CIA fear it is coming under pressure to tailor its analyses to fit the administration's policy views.

Similar charges were made during the Carter administration and resulted in frequently bitter exchanges between policy-makers and the intelligence community.

Bruce C. Clark, who heads the CIA's assessments unit, is retiring from the agency in April, in what officials said was a personal decision unrelated to the terrorism issue. One official said a successor had not been named, but another indicated that Mr. Clark's successor would be the current director of the agency's operations unit, John McMahon.

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Giscard Outlines Cruise Missile Economic Plan

The Associated Press

PARIS — President Valéry Giscard d'Estaing said in an interview that he would expand France's nuclear energy program and give private business strong incentives to help the country through its economic difficulties.

The interview was carried Friday in the magazine L'Express as Mr. Giscard d'Estaing and other politicians prepared for first-round elections next month. Most public opinion polls show Mr. Giscard d'Estaing with Socialist candidate Francois Mitterrand.

Mr. Giscard d'Estaing said France's inflation rate of nearly 14 percent and 1.5 million unemployed will not "vanish as long as the international economic crisis remains unresolved," but the country could cope better than most through its nuclear development program and new business incentives. It was Mr. Giscard d'Estaing's first outline in the campaign of his economic plan.

Some officials described the estimate as "definitive," that of agency officials found it difficult to agree on a common definition of what constituted terrorist groups.

Soon after the draft document was circulated and began to be reviewed, Mr. Casey asked the estimate be asked that it be viewed.

"That's really the way the process is supposed to work," an official said. "The estimate is circulated to reflect the views of agencies and it's not unusual if it would be restudied and reviewed after the agencies have commented."

But other administration officials voiced concern that the agency was being asked to tailor its view to administration policy. The official said, "There would not have been a review if the estimate's conclusions had totally supported administration's charges."

First Planned Soviet Time Shift In 51 Years Is Puzzling to Some

The Associated Press

MOSCOW — The Soviet Union is to switch to daylight saving time Tuesday for the first time in 51 years, an event that is causing confusion and misunderstanding for some people who have never dealt with time change.

"Most people you talk to understand what is happening and won't have any problems," said Vladimir Ilyin, a Soviet Bureau of Standards official who is helping oversee the change. But people without experience ask questions. They think, "I won't be able to go to sleep, I won't be able to get up," he said in an interview.

At first, people were thinking they would have to go to work earlier, but public transport would stay on the same schedule.

Clocks are to be set ahead one hour at midnight Tuesday in all 11 Soviet time zones, and the Bureau of Standards has been advising on the change through television publicity programs, including man-on-the-street interviews in which citizens confidently declare they understand the system. One announcement warned: "This is not an April Fool's joke," and Radio Moscow assured listeners that "the length of the morning will be the same."

The Ministry of Health magazine "Health," with a wide national readership, acknowledged that "many parents are worried that their children will take the time change badly," and while it assured them that the change is safe it urged people to prepare physically by gradually going to bed earlier.

Experts say the time change should conserve two billion kilowatt-hours of electricity a year. The switch will put Moscow four hours ahead of Greenwich Mean Time until clocks are set back Oct. 1, instead of the three-hour difference maintained since 1930.

مكتبة المصلح

Flames of Revolution Are Seen Spreading Into Once-Peaceful Honduras, Costa Rica

By Christopher Dickey

Washington Post Service

CITY—As the raging fires of revolution spread through Nicaragua, El Salvador, Guatemala and the past two years, mounted that all of Central America engulfed. Until recently the flames were more than that.

There have been hints of trouble in Honduras for several months, and a Honduran airliner was hijacked to a leftist guerrilla in Costa Rica, a red three U.S. Marines.

Terrorist tactics have erupted now in the country, and although it is not on a close to the warfare of El Salvador, it has shocked Hondurans, who to the most placed military dictatorship in the region, and horrified Costa Ricans.

who are proud of having the most stable democracy in Latin America.

The violence seems to be coming from groups with various ideologies. It springs partly from serious economic and political problems in each country, but it is also closely related to the atmosphere of fear that grips the entire region.

The immediate repercussions are felt most strongly in Honduras.

"What you're seeing is the emergence of a pattern," said one well-informed Western source. "The feeling now is that people are polarizing. The pot was already seething, now it is boiling."

There are numbers of violent factions on both the left and right in Honduras; their exact strength is impossible to judge.

"The climate of violence has been growing," said Manuel Gamero, a liberal newspaper editor. "The problem of El Salvador is affecting us, and that is in addition to our own problems of misery and poverty. ... For some time we've noted the organization of anti-Communist bands threatening principally moderate groups."

A year ago political violence was virtually unheard of in Honduras. Under pressure from the Carter administration, the Hondurans elected a constituent assembly, and national elections are tentatively scheduled for the end of November.

At the same time, however, the United States moved to beef up the Honduran military with \$3.5 million in military assistance, at least 10 Bell Huey helicopters on a no-cost lease program, dozens of U.S. military trainers

including counterinsurgency experts, and more than \$60 million in economic aid.

The official rationale for the program was to help the Honduran military guard the country's borders and keep the Salvadoran conflict from spilling over. Opponents of the Salvadoran government have charged, however, that the United States intends to use Honduras as a surrogate military force for possible intervention against Salvadoran guerrillas.

Until the last six months, domestic terrorist incidents in Honduras tended to be fairly insignificant. But in the last six months there have been several shooting and bombing attacks, mostly attributed to leftist opposition groups.

In mid-January a large arms cache destined for Salvadoran guerrillas was uncovered in the Honduran town of Comayagua, west of the capital, and several arrests were made.

For its part, Costa Rica has maintained peace and democracy for more than 30 years, but there, too, extremism has begun to flourish amid serious political and economic crises.

With its oil bill rising astronomically, the price of coffee down and the cost of its extensive social services becoming burdensome, the government of President Rodrigo Carazo was already under severe political attack.

Much of the Costa Rican violence appears to come from the extreme right, which is led by a well-funded paramilitary group known as Movement for a Free Costa Rica. But there are leftist groups as well.

Radio Noticias del Continente, a powerful leftist shortwave radio station outside San Jose was attacked at least four times by rightist gunmen in the last year. On at least one occasion the occupants of the station returned the fire. The station was subsequently raided by the government and when automatic weapons and grenades were found it was closed.

A courtesy visit by two U.S. Navy ships scheduled for earlier this month became a major political issue. The visit never took place, but in what U.S. officials say might be a related incident a van with three U.S. Marine embassy guards in it was hit by a homemade bomb Jan. 17 in San Jose.

One U.S. analyst familiar with both Honduras and Costa Rica said he believed the timing of all these actions is largely coincidental. But he added, "You can't discount either the possibility of Cuban connections or the romantic identification with revolution—the bandwagon effect."

S. Effort Appears Reassure Chinese

James P. Sterba

New York Times Service

IG—The United States, ended diplomatic initiative at two weeks, appears to have reassured Chinese leaders that it does not intend to confront them.

President Gerald R. China last week as an end to the war, said Friday after extended talks with leaders he was "absolutely clear" and "absolutely confident" that differences between the two nations would be resolved in a "peaceful and expanded" manner.

Officials said that Mr. China last Monday with the first party leader Deng Xiaoping and Premier Zhao Ziyang, Reagan's meeting at the White House last week with the Chinese ambassador, a long way toward easing tensions that began to late in Peking last fall. It was then that Mr. Reagan said as a presidential candidate that Taiwan in what seemed flouting of the 1979 U.S.-China normalization agreements.

While David S. Tappan, spokesman of the National for U.S.-China Trade, on Friday an "explosive" in business after Peking uplet an economic read-out program in three to five

growth in the development of trade between our two countries.

Deputy Premier Bo Yibo expressed similar optimism Thursday after meeting with directors of the trade council. "China will grow into a fairly big market in the world in a few years," the Chinese news agency quoted him as saying.

At a breakfast meeting with members of the American Club here Friday morning, Mr. Ford declined to discuss details of his meetings with Chinese officials, but said that the key issue of further arms sales to Taiwan had come up and that potential arms sales to Peking were also discussed. He said only that "with wisdom and prudence" Washington and Peking could deal with these issues without upsetting their long-term relationship.

A Cruise on the Yangtze

Asked whether a hiatus in Chinese-American relations had been ended in recent days, Mr. Ford said: "I hope so, if there ever was one. I don't know how serious it was if such a difference did exist."

Perhaps to underscore official warmth, the two senior Chinese Foreign Ministry officials responsible for relations with the United States, along with J. Stapleton Roy, the U.S. Embassy charge d'affaires and chief China specialist in Peking, accompanied Mr. Ford on a two-day riverboat cruise down the Yangtze River last week.

Mr. Ford hinted vaguely on Friday that an exchange of official visits between President Reagan and Chinese officials might be in the offing. Asked if he had carried an invitation from the president to Chinese officials, he said, "I did." Then he added the word "not."

"Let me put it this way," he said. "I don't think I should reveal any of the communications that I had from President Reagan to the Chinese leadership. I'll say this: I do hope that in the next year or more we can have an exchange by the Chinese leadership to the United States and by President Reagan to China. I think such an exchange of visits would be highly beneficial."



BUILDING COLLAPSES—Rescuers urge a trapped construction worker to keep talking from the wreckage of a condominium that collapsed while under construction in Cocoa Beach, Fla. At least 10 persons died when the top four floors of the five-story building fell—like "a layer cake," witnesses said. It was feared Saturday that six workers were still trapped.

Reagan Favors a Delay on 'Social Issues' To Concentrate on Economic Programs

By Lee Lescaze and Lou Cannon

Washington Post Service

WASHINGTON—President Reagan agrees with the Senate majority leader, Howard Baker, that Congress should defer action until next year on controversial "social issues" such as abortion and school prayers so that those battles do not complicate passage of his economic recovery program.

The president's position, discussed in an interview, is likely to upset some of his conservative supporters who became upset last week when Sen. Baker announced that Senate Republicans had agreed to postpone action on the so-called "social issues." Several leading conservative senators promptly insisted there was no such agreement.

When President Reagan was asked about Sen. Baker's strategy

for postponement, he replied: "This doesn't mean that we've drawn back from our position on many of these social goals. It just means that these are things that we think must wait while we dispose of this problem, and once we get that out of the way and get economic recovery under way, then we can discuss priorities with these other measures."

The president offered a generally sunny review of his political prospects after two months in office. He said he was pleased with the fast pace of his economic reforms and what he called widespread public support. He dismissed the considerable public opposition to his efforts concerning El Salvador as "confused" and even suggested that domestic political critics were under the influence of a "well-orchestrated Communist propaganda campaign by Cuba and the Soviet Union."

"Pretty Concerted Thing"

Is there any danger, Mr. Reagan was asked, that opposition to U.S. involvement in El Salvador may spill over and weaken public support for his economic program?

"No, I don't think so," the president replied. "But I do think that we have to overcome if they better understood his programs. He said that black people 'have jumped to false conclusions' and had the incorrect impression that they were going to suffer more than others from his budget cuts."

Asked to explain further, he said the same slogans and placards against U.S. involvement in El Salvador had turned up among protesters in Europe, Canada and the United States.

"Well, it's even been worldwide," he said, "and you find the same slogans being used in demonstrations in European countries about the United States in El Salvador. You find it here. There were some of those demonstrators in Canada on our recent trip. The placards were the same. The slogans were the same."

Dispute Over Haig

Since it is established, he said, that the Russians and Cubans are supporting the guerrilla fighters in El Salvador, "you have to assume that they must also have a hand in the propaganda."

While he is generally proud of the opening weeks of his administration, the president criticized himself for having accused the press of blowing up the controversy between Secretary of State Alexander M. Haig Jr. and the White

House over control of government actions in times of crisis.

At the height of the Haig crisis last week amid reports that the secretary of state was thinking of resigning, the president told reporters that he thought "maybe some of you were trying to make the news instead of reporting it."

"I shouldn't have said that," Mr. Reagan said with a laugh during the interview. "I thought I was throwing off a funny way the question was asked, and it didn't turn out that way and I probably shouldn't have said it."

Praises Economic Program

He was asked if Mr. Haig was about to stay after the dispute in which he unsuccessfully challenged the decision to give crisis-control management to Vice President Bush. The president replied: "Certainly as far as I'm concerned, and I think as far as he's concerned, yes."

His main accomplishment, the president said, has been the economic program, which he called "the greatest attempt of savings in the history of the nation."

He appeared equally confident that his problems with blacks could be overcome if they better understood his programs. He said that black people "have jumped to false conclusions" and had the incorrect impression that they were going to suffer more than others from his budget cuts.

"And I just think that they have been misinformed and in some instances by their own leaders," he added.

They actually, because they do have a higher rate of unemployment than the majority, have a higher proportion of the people in the lower-income groups," Mr. Reagan said. "They're going to be the first to benefit with the elimination of inflation, with the creation of jobs and productivity, reducing unemployment."

Soviet Car in Athens Is Damaged by Bomb

The Associated Press

ATHENS—A terrorist organization planted four homemade bombs under cars belonging to the Soviet trade mission in Athens, police said.

One of the bombs exploded early Saturday causing damage, but no casualties. Three others were defused, police said. The attack was claimed by a rightist group called "Autonomous Resistance" in a telephone call to an Athens newspaper.

This has been cited as the reason for Soviet protests over American efforts at shuttle development, although it was the Soviet Union in 1958 that first called at the United Nations for the "banning" of the use of cosmic space for military purposes. Opposition by the United States and other countries led the Soviet delegation to submit a later draft of a space treaty in which the provision dealing with weapons was deleted.

The United Nations did agree on a space treaty in 1967, but the chance to include in it prohibitions dealing with the placing of military

Senate Democrats Are Enraged By Helms in Aid vs. Food Vote

By Helen Dewar

Washington Post Service

WASHINGTON—Outraged, outnumbered, and outfoxed, Senate Democrats were maneuvered by a smiling Sen. Jesse Helms into accepting a \$200-million cut in foreign aid in order to rescue \$200 million for child nutrition programs.

The Democrats, who have had more than a little trouble coordinating their budget approach, were finally agreed to Friday for a counteroffensive against President Reagan's proposed \$1.6-billion cut in nutrition programs when Sen. Helms, the liberals' nemesis, beat them to the punch.

Gaining the floor at the start of the second day of Senate debate on the budget cuts, the North Carolina Republican proposed that \$200 million be switched from foreign aid to school lunches and other children's feeding programs, which Democrats have made one of their leading causes in the propaganda war over budget cuts.

Rancorous Outburst

"All I'm trying to do is take some money from foreign aid and give it to the schoolchildren of America," said Sen. Helms, adding that he also intended, as chairman of the Senate Select Committee, to provide \$100 million from the Food for Peace program to child nutrition, for a total restoration of \$300 million for nutrition programs.

With that, Sen. Helms triggered the loudest, most rancorous and emotional outburst the Senate has seen since the Republicans took control earlier this year for the first time in a quarter century. The problem was that the Democrats wanted to add money for child nutrition but not at the expense of foreign aid—and did not have the votes to prevent it once the Republicans gained the upper hand.

It is "hogwash," exclaimed Sen. Edward M. Kennedy, Democrat of Massachusetts, to say that the

United States has to "take away a crust of bread from starving children" in foreign countries to feed its own schoolchildren.

"I think it's a sad day indeed when we pit the poorest starving children of the world ... against American children," and respond with "a pious answer that we're going to do something about the budget," added Sen. Kennedy, pounding his desk with his fists.

As Sen. Kennedy pounded, Sen.

U.S. Will Review Health Rules for Textile Industry

The Associated Press

WASHINGTON—The Reagan administration has announced that it will review the financial impact of cotton dust standards on the textile industry and acknowledge that other occupational health guidelines may also face review.

Thorne G. Auchter, an assistant secretary of labor and head of the Occupational Safety and Health Administration, said Friday that the Supreme Court was being asked to delay a ruling on a case challenging the standards, issued in 1978 by the Carter administration.

Mr. Auchter said that while the study would focus on the cotton dust standards, it might affect whether other occupational health rules would also be reviewed. He said the administration's aim was "to make sure we choose the regulatory alternative that offers society the greatest net benefit."

The cotton dust standards were designed to protect textile workers from a respiratory condition known as "brown lung." Industry groups have asserted that the cost of implementing the new standards, which are not to take full effect until 1984, will drive many small textile companies out of business.

Helms, clearly enjoying himself, pounded back in a kind of tom-tom response from his own desk across the chamber.

Sen. Kennedy succeeded in winning separate votes on the foreign aid cut and the school lunch addition—but lost in the actual votes on both.

The extra school lunch money was approved, 87-9, with seven Republicans joining Sen. William Proxmire, a Wisconsin Democrat, and Harry F. Byrd Jr., Virginia independent, in voting no. The foreign aid cut was approved, 70-26, with most Democrats voting for the cut. Most Republicans supported the foreign aid reduction, which came on top of a cut of roughly \$1 billion that Mr. Reagan proposed and the Senate Budget Committee approved.

The Democrats regrouped and came back later in the day with a proposal from Sen. Jim Sasser, a Tennessee Democrat, to add another \$300 million to nutrition programs. It failed by a predictable party-line vote of 55-44.

Programs for Veterans

In between the two nutrition votes, the Democrats made another stab at trying to restore some of the cuts Mr. Reagan proposed in health programs for veterans, this time by shifting \$104 million from foreign aid to veterans programs. They lost on this one, too, 44-48, just as they did Thursday in two previous efforts.

Ironically, it was the Democrats' plan to trade off foreign aid for veterans that prompted the Republicans to try a pre-emptive strike for the nutrition programs.

The Democrats made no effort to hide their pain, and Sen. Helms gently rubbed salt in the wounds. He quoted Churchill as saying, "There's nothing more satisfying than to shoot at and miss."

Sen. Donald W. Riegle Jr., a Michigan Democrat, retorted, "I really feel you have been shooting at the schoolchildren of America and you have not missed."

Reagan's 'Cabinet' of Wealthy Advisers Disbanded After Fund-Raising Dispute

By Jack Nelson

Los Angeles Times Service

WASHINGTON—President Reagan's "kitchen cabinet" of wealthy advisers, which gave him his start in politics and has played a crucial role in shaping his administration, has disbanded after a controversy over fund raising.

Justin Dart, a Los Angeles industrialist who was a founder of the group, said in an interview: "The kitchen cabinet has served its useful purpose, and unless the president calls on some one of us the cabinet is finished. It hasn't any reason to survive."

But another member of the group, Sen. Paul Laxalt, Republican of Nevada, said it would be a tragic mistake for the group to disband because its members had been of tremendous value to Mr. Reagan, especially on Cabinet, sub-Cabinet and ambassadorial appointments.

Despite Mr. Dart's statement that the group had disbanded, Sen. Laxalt said "it should continue to do things for the president on an ad-hoc basis—it will not go away, nor should it."

How the Dispute Began

The kitchen cabinet became a subject of controversy following two White House initiatives restricting its activities. One was a legal opinion evicting the members from offices in the Executive Office Building. The other was a movement for the disbanding of the Coalition for a New Beginning.

which had raised \$800,000 to finance a lobbying campaign for the Reagan economic program.

Mr. Dart, furious over reports that some corporations had planned to the White House that they were pressured to contribute to the lobbying campaign, said: "If you can find one corporation that says 'I'll give you \$1,000, in any way, I'll give you \$1,000. In other words it's just a dirty, lousy lie—100 percent.'"

Another member of the group, Charles Z. Wick, a Los Angeles investor, also protested what he called "totally untrue" articles in the press that the White House had received complaints he had pressured a corporation into contributing to the campaign.

Situation 'Out of Hand'

Nevertheless some White House sources insisted that complaints of pressure had been registered in connection with the fund raising. And Sen. Laxalt said "there was some feeling" in the White House, "justified or not, that there had been too much pressure brought to bear." He said the White House felt the situation had got "out of hand."

The kitchen cabinet consists of about 20 advisers, although it is such an informal group that there is disagreement on exactly how many of Mr. Reagan's friends actually qualify as members. "Damn few" is generally advertised," said Mr. Dart, when asked about that.

Mr. Dart, 73, and Holmes Tuttle, 75, a Los Angeles automobile dealer, are among the original members who rallied behind Mr. Reagan and endorsed him when he ran successfully for governor of California in 1966. They have been in the inner circle of the group ever since and have played leading roles in Mr. Reagan's political life.

Neither Mr. Dart nor Mr. Tuttle has expressed interest in joining the administration, but several others members have been appointed to official positions.

Some of the Appointees

Besides Mr. Wick, who has been nominated as director of the International Communications Agency, they include William French Smith, who was Mr. Reagan's personal lawyer and now is attorney general; William A. Wilson, a rancher and investor, as ambassador to the Vatican; and Theodore E. Cummings, a former grocery magnate, ambassador to Austria.

Mr. Wick, declaring he had helped raise \$15 million for Mr. Reagan's political campaigns in the last years, said: "My involvement is a matter of record and I

have scrupulously avoided even the appearance of any impropriety."

He said he was "meticulous in severing any relationship" with the Coalition for a New Beginning after the president named him to the communications agency post.

Mr. Wick said that Mr. Dart had sought contributions for as much as \$50,000 from some corporations for the lobbying campaign, and that "there's nothing wrong in our society for someone to do that and it would be totally contradictory to Justin Dart's character for him to pressure any corporation."

For his part, Mr. Dart denied Mr. Wick against the fund-raising allegation, declaring that he himself had solicited all but one or two of the contributions.

"If there was any fault, it was mine," Mr. Dart said, "but I didn't twist one single solitary arm, that's unequivocal."

Alleged Rebels Arrested in Italy

The Associated Press

TURIN—Police have announced the arrest of four suspected members of the Front Line leftists guerrillas on charges of belonging to an armed group.

The four were identified Saturday as Cosimo Malinetta, 32, a hospital assistant; Adriano Allora, 28, and Pasquale Camilleri, 26, joint owners of an auto parts store; and Monica Sottomano, 22, a university student.

FOCUS ON WEST GERMANY

A special supplement in the International Herald Tribune

April 1, 2 and 3

Reagan Links Grain Ban, Polish Crisis

Continued from Page 1

were we could lift it without a wrong signal.

Reagan's view of the Soviet Union to a summit meeting was

think it's far too early for said. "I haven't said no, said that's down the road

in the interview Mr. n said he has received no in, other than Soviet President Leonid I. Brezhnev's invitation to a summit meeting at the Russians are willing to up anything in exchange of peaceful relations with the United States.

He made it plain that such when they do take place I involve not just limiting to arms reductions or forces and so forth," Mr. n said.

think the whole matter of the ism of the Soviet Union, expansionism, must be a m-r discussion. Are they going to exploit where there are differences and where is trouble? And are they to continue this massive of weaponry that is the at that any nation has ever in the all the world?

are they willing to sit down talk about how we can eliminate the difference, reduce the old of danger from strategic ns, respect the right of people self-determination in their and so forth?

Reagan's questioning of the proposal to continuously 200 MX missiles among 4,600 e shelters throughout the da and Utah deserts is a blow entagon and congressional iners who have argued that at national security estimates dependent on this basing sys-

indicates that the president s the skepticism expressed by use Secretary Caspar W. berger, who argues that envi- ental lawsuits could delay

ike Closes Shops

3 Cities in Nepal

The Associated Press

TMANDU, Nepal—Shops closed late last week in Kathu, Patan and Bhaktapur as leftist-backed All-Nepal Students Federation called a general strike. It said its demands included controls and the immediate ce of political prisoners. More than 300 students were re- to have been taken into cus- on Friday, but the police de- to comment on the report.

Reagan Selects Envoy to Britain

United Press International

WASHINGTON—President Reagan has nominated John Jeffrey Looney, a communications executive, to serve as U.S. ambassador to Britain.

Mr. Looney, 55, is an heir to the Johnson's Wax fortune and has been chairman of Combined Communications Corp., a division of the Gannett media organization, since 1968. He would succeed Kingman Brewster Jr., who has resigned.

In another action Friday, Mr. Reagan named Frank A. Urso-marso, the advance coordinator for his campaign debates last year, to direct the White House Office of Communications. Mr. Urso-marso, 38, will coordinate public affairs, research and information services and will assist the television networks in their White House coverage.

Space Shuttle Program Seen as Crucial to War's Future

(Continued from Page 1)

grams to develop anti-satellite weapons.

This spurt of shuttle-related activity has resulted, in part, from a surge in the use of space for communications. Much of the Pentagon's ability to command, control and communicate with the commanders of forces in the field, whether a division of troops or an aircraft carrier, is based on satellite systems.

Such electronic lines of communication would be extremely vulnerable to attack by hunter satellites, if the attackers could operate at the altitude of about 22,000 miles at which most communications satellites are in orbit.

This vulnerability extends to the navigation satellites that, for example, enable Polaris submarines equipped with nuclear-tipped missiles to pinpoint their location at sea to within a few meters. The Navy and Air Force also operate

U.S. Auto Crash Kills 4

United Press International

BENTON, La.—A station wagon on struck an 18-wheel truck head-on Saturday, killing four women from Benton, ages 13 through 19, two of them sisters. The truck driver was not hurt, police said.

Space Shuttle Program Seen as Crucial to War's Future

(Continued from Page 1)

satellites that provide hourly readings of the world's weather, as well as spacecraft that watch for missile attacks.

As a further deterrent against attack from Soviet intercontinental ballistic missiles, those who seek greater military use of space are seriously advocating what at first appear to be wildly futuristic projects.

For example, Sen. Malcolm Wallop, R-Wyo., is the leader of a bipartisan group of at least 100 congressmen that is urging sharply increased investments in such military systems as a manned orbital command post assembled by the space shuttle as a means of countering Soviet threats and maintaining world peace.

Current plans by the National Aeronautics and Space Administration and the Defense department call for the construction of four shuttles, each interchangeable between civilian and military assignments. The construction of more has met with extreme reluctance in Congress because of costs.

For this reason, and because the Soviet Union could take countermeasures such as booby-trapping its satellites to prevent capture or inspection, Mr. Tsipis says that the vision of a fleet of shuttles sweeping away Soviet satellites is farfetched.

"But the Russians do take this as a real threat because they have their own paranoid people too," he added.

At present the Soviet Union is much less advanced in shuttle development than the United States, although it is known that studies are under way there. Aerospace sources in the United States have

International Bond Prices - Week of March 27

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Am	Security	Yld	Mid	Yld	Am	Security	Yld	Mid	Yld
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STRAIGHT BONDS
All Currencies Except DM

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HIGHEST YIELDS
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HIGHEST YIELDS
to Average Life Above 5 Years

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HIGHEST CURRENT YIELDS

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PARIS, MARCH, 1981

A SPECIAL SUPPLEMENT

J
A
P
A
N

The Emperor's Palace in Tokyo.

Nation Is Experiencing an Economic 'Slump' That Others Might Envy

By Frederick Alexander

TOYO — When is an economic slump not a slump? The answer: When the economy is Japan's. For what Japanese economists and business leaders are all too ready to call a "slump" or "slowdown" would, in the case of oil shock No. 2, be considered a picture in virtually any other industrial country.

Consider, for example, the objectives of the Economic Planning Agency outlined in its plan for the new fiscal year beginning on Oct. 1, which are not viewed as unrealistic by economists. The government is hoping for a 5.3 percent increase in gross national product growth of 5.3 percent in real terms, compared with 4.8 percent in the year ending March 31.

Also hoping to hold increases in wholesale prices to only 4.1 percent, compared with 5.5 percent this year. And unemployment, which has stayed at about 2 percent for as long as anyone can remember, is not expected to go up that figure in the coming year.

Greeted With Envy

A decade ago, none of these figures would have excited the Japanese, who were quite rightly used to growth rates in double digits. But since the quintupling of oil prices in '74, and the further doubling last year (in costing oil prices by more than 10 times pre-1973 levels), those growth and inflation figures are greeted with envy by most of the world's industrial nations.

Major improvements in the productivity of Japan's major industries, at the same time that levels have been held low, are responsible for Japan's superior performance in growth

and holding the line on inflation during the last two years. Yet Japan's business community is clearly not satisfied with the situation.

The economic package worked out by the Economic Planning Agency for the coming year is, in the view of many industrialists, insufficiently stimulatory. Moreover, the planning agency's plans to use 70 percent of available public works appropriations in the first half of the year is facing sufficient opposition in the Ministry of Finance, and there is a chance that the government program — thus pared of some fiscal impetus to economic growth — may leave industrialists even more frustrated than they are at present.

Real Wages Declined

One problem is that domestic demand has just not revived according to expectation. Japanese consumers have simply not been purchasing many of the high-ticket items — particularly automobiles and appliances — in sufficient volume to keep Japan's economy moving at the higher rate business would like to achieve.

One reason for consumer restraint may be the expectation of continued inflation on the part of the average worker. Although Japanese consumer price inflation was only 8 percent last year (much lower than in the United States and Europe), that rate is much higher than in the past few years. More importantly, last year's inflation rate exceeded, for the first time in memory, the average wage increase granted to workers in the annual nationwide spring labor effort. That means, in effect, that Japanese labor's real wages declined in 1980, for perhaps the first time in a generation.

With less real money to spend, and expecta-

tions of further inflation to come, the Japanese wage earner (perhaps unlike his American counterpart) has made greater efforts to hold on to what he already has. In a country in which consumer financing and credit cards are rare (and saving rates traditionally very high), that phenomenon is not surprising.

But it is displeasing to the Japanese, nonetheless. With domestic demand slack, the Japanese economy has had to depend on exports for much of its growth — particularly of such high-priced items as automobiles, which now provide 17 percent of the country's total exports.

That formula worked fairly well last year, when exports of autos, electronics and other items boomed to industrialized nations in North America and Europe. But this year, with the threat of protectionist action in Europe and the United States in the background, automakers are showing restraint in their shipments to familiar overseas customers.

Formal Agreement

A formal agreement with the United States to trim auto exports to even lower levels could come at any time. The impact of such a restraint on Japan's gross national product is not hard to calculate: If Japan's auto exports decline 10 percent in 1981, that will knock 0.2 percent off Japan's GNP. "Beyond that direct impact will be the ripple effect throughout the Japanese economy," says Chase Manhattan Bank's chief economist in Tokyo, Rikizo Komaki. "It could be substantial."

With all these factors in mind, many business leaders have been calling for further measures to ease credit. That classical Keynesian monetary measure has already been tried a few

times in the past 12 months (at the same time that American rates were going up, incidentally) but with little impact so far on domestic demand.

Besides, with the Bank of Japan's discount rate already at 7.25 percent — much lower than the Federal Reserve Bank's prime rate in the United States — there is a continued danger that the vast difference in interest rates will funnel a greater volume of funds out of the Japanese yen into the dollar. That would result in a weakening of the yen to the point where it could be highly inflationary to the Japanese economy.

Monetary Action

Yet this seems the only appropriate action — if only in continued moderation — that Japanese authorities can safely take in the short run. As George Murakami, writing recently in the Asahi Evening News, explains: "Because the government has decided that the prime need now is to get down the enormous budget deficit in order to avert fiscal inflation, there will be little or no increase in public spending."

In short, with fiscal expansion out of the question because of an unprecedented government deficit — now higher than the total of Western Europe and the U.S. combined — the only alternative, for the moment, is monetary action to loosen credit restraints further.

Barring further sharp increases in the price of crude oil — a development which seems highly unlikely in the short run — there is room to believe that the Japanese economy will soon emerge from its current doldrums.

Because of continued sharp improvements in industrial productivity — Japan's ace in the

hole in these otherwise hard times — major Japanese corporations will be able to offer their workers more substantial wage increases in 1981 than they did last year. More significantly, those increases show every indication of surpassing this year's rate of inflation.

Thus, it is quite likely that the real disposable income of Japanese workers will increase in 1981. And, as a result, consumer spending will improve to some degree in the months ahead.

One big question is whether that increase in spending will be sufficiently felt in the all-important domestic auto market. With sales of automobiles on the domestic market sagging, and many dealers in deficit, the pressure to export autos last year was acute.

This year, with protectionist pressure in the key U.S. and European markets on the rise, and few outlets for those surplus cars except for much smaller markets in Latin America, Africa and the Middle East, Japan's automakers are counting on the domestic market to pick up the slack. If it does not, and auto sales continue at a low level, Japan's growth rate may well decline below expectations, which many Japanese consider already low.

Pressure to Export

If Japanese industry is still not completely bullish about its own economy, there can be no doubt that Japan's reputation as a highly productive economy continues to rise daily. Two significant, related indications of that during the past months are the continued strength of the Japanese yen, and the appreciation of the Tokyo Stock Exchange.

Despite a sortie into the mid-200s (versus

the dollar) in mid-1980, the yen managed to rise rapidly again late last year. Now, at about 200 to the dollar, it stands close to its all-time high (175) on world exchange markets.

Productivity Growth Rate

Significantly, during past weeks, when the German mark has weakened substantially against the dollar, the yen has continued to hold its strength. That strength, according to observers, is undoubtedly a result of faith in Japan's superior productivity growth rate which results, in large measure, from increasing efficiency in using crude oil and its byproducts.

The explosion of prices on the Tokyo Stock Exchange last year also provided ample evidence of the growing respect for Japan's economy in foreign lands. Without acknowledging precisely where the record influx of foreign funds originated, stockbrokers readily say that a substantial portion of the buying power behind last year's enormous price surge came from the petrodollar-rich countries of the Middle East.

In particular, the Kuwaitis have been very active in purchasing such Japanese blue chip stocks as Hitachi, TDK, and the robot-builder Fujitsu Fanuc.

Thus, ironically, while many Japanese industrialists and economists continue to "sing the blues" about the state of their economy — in particular, sagging domestic demand — the rest of the world continues to sing the praises of Japan's industrial power.

And while the rest of the world complains that Japanese goods are too popular to love, Japanese businessmen worry that production levels will never achieve the heights they have been dreaming about.

'The Right Product at Right Time'

TOYO — Less than a generation ago, the Japanese automobile was little known, less respected, around the world. Even these consumers were convinced that, if they afford it, the longer, plusher, gas-guzzling models of the United States, or the bizarrely sporty autos of Europe, were able to their own modest products.

Times have changed. Last year, Japanese exports totaled 5,966,961 vehicles (including autos), or fully 54 percent of its entire production. Most of those were directed to markets in the United States and Europe where, for a variety of reasons, Japanese cars have become

popular. Japanese manufacturers claim they were as surprised as anyone by the surging demand for their product — up 20 percent in the United States last year, and 28 percent in the European community. "We just happened to have the product at the right time," says one auto executive.

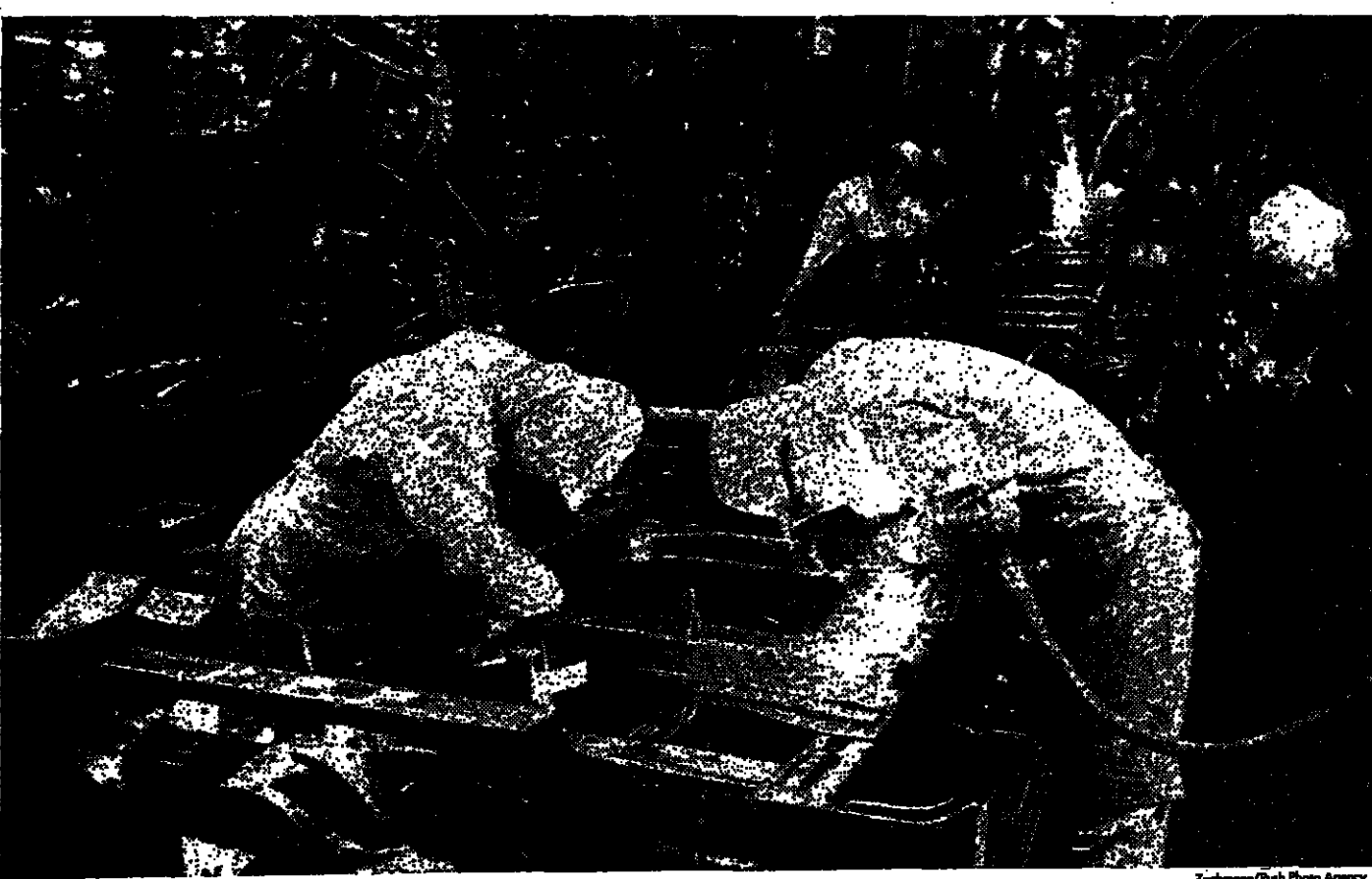
Gas Prices Are Cited

As they tell it, the rising popularity of Japanese automobiles in the American market was much more to the sudden increase in the price of OPEC crude oil than to any "blitz" or "surprise offensive" on their part. When prices for local pump doubled in less than a year, American auto manufacturers were unable to supply a sufficient number of fuel-efficient Japanese auto dealers moved in to fill the

gap. At fuel efficiency must be only part of the reason, especially if the success of Japanese cars in the European Community is considered. There, the high quality of Japanese cars, their comparatively low price, and the excellent after-sales network are, even more so in the United States, sales points, as in Europe the Japanese are competing against producers well-stocked in fuel-efficient

cars. Last year, when every local German manufacturer saw car sales decline from those of 1979, sales of Japanese autos in that market rose markedly, reaching 10 percent by early 1981. But the West German and American markets — where Japanese cars captured over 10 percent of the market in mid-1980 — were about the only major markets left entirely to the Japanese.

The French government has set a quota of 3 percent of its market and, early this year, took steps to erect a number of obvious "non-tariff



On the job in a Honda factory.

barriers" which in effect delayed the entry of several new Japanese models. Using a ploy well-known by Japanese government officials (who in effect keep imports of non-Japanese cars at home to less than 1 percent of the market), French officials refused to grant model certification to numerous Japanese models which, for technical reasons, did not meet French standards. Japanese officials are enraged. "We are being made scapegoats for French President [Valéry] Giscard d'Estaing's re-election campaign," says Mitsuya Goto, of Nissan's International Division in Tokyo.

Limited by British

The British, in their turn, have limited Japanese car imports to just over 10 percent of their market (although for a time they went beyond that figure), and the Italians have refused to let them in at all. Still, sales of Japanese cars in such markets as Switzerland, Ireland and Belgium have reached record proportions.

The focus of attention in the Japanese auto industry remains, however, the American market. The question that looms above all others is whether the United States will take measures

to restrict the number of vehicles the Japanese ship their way. In Detroit, it is widely presumed that the ill of the American auto industry — combined deficits in 1980 of over \$4 billion for the top three auto makers — are largely caused by the Japanese "assault."

Had the Japanese restrained themselves, and not taken advantage of the situation, the 30 percent unemployment figure for U.S. auto workers would not have arisen, claim the U.S. auto makers.

The Japanese are convinced that their success in the United States is not the primary factor behind the financial and marketing failure of the U.S. companies. They argue, and the ruling of the International Trade Commission of the United States last November supports them, that it was American auto mismanagement rather than Japanese "offensives" that resulted in the deficits.

'Complaint' With Unions

"If the American auto companies had not been so compliant to the needs of the labor unions, they would not now be in this mess," says one Japanese executive.

When the Big Three of Detroit enjoyed record profitability in the 1960s, they respond-

ed by raising the average wages of their workers to what some observers say were unrealistic levels. Furthermore, the auto unions obtained in their contracts "cost-of-living allowances" that were geared to inflation rates. So as the United States veered into a long period of double-digit inflation in the late 1970s, labor costs rose far beyond those of Japanese makers.

Japanese auto workers may be the elite of the Japanese working class, enjoying small but comfortable homes in the suburbs. But they are paid far less than U.S. workers, so the average Japanese car costs \$700 to \$1,000 less to build — merely as a result of labor savings. Moreover, Japanese auto companies cut production costs by using more industrial robots to make their cars.

Japanese companies also argue that their high level of "quality control" assures their customers of the finest automobiles in the world. Certainly, the sloppiness that is found in the construction of many Detroit products is extremely rare in the Japanese auto world.

This level of quality has gained Japanese automobiles an increasingly loyal following in the United States and Europe. So, according to

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R & D Gets a Big Push In Electronics Industry

By Robert Y. Horiguchi

TOKYO — With its span of vision spreading from esoteric cybernetics to mundane household equipment, the Japanese electronics industry seems to be poised to ride the crest of the predicted Third Wave in the progress of mankind.

Plans are being made to launch a 10-year program of research and development to build a "thinking" fifth-generation computer whose functions will closely simulate those of the human brain.

To achieve this, the Ministry of International Trade and Industry (MITI), which in the past has given lavish financial and other assistance to the industry, intends to organize a new R & D organization that will provide career flexibility and working facilities for the nation's best scientists.

This proposed center is planned to be completely different from other national institutes in that it will emphasize the development of a new "home-grown" technology in order to dispel the image that the Japanese are copyists. For this purpose it will bring scientists from universities and government-sponsored research facilities as well as private corporations into one cohesive organization.

Drawing on Experience

To do this, MITI is expected to draw heavily on the experience it has acquired in its \$225 million, four-year project to develop by 1983 very large-scale integrated (VLSI) circuitry for a so-called "super-chip" capable of memorizing 60 times as much information as the 64-kilobit integrated circuit in use in the most advanced large-scale computers.

In this area of large-scale main-frames, Nippon Electric and Hitachi are today neck-and-neck in contending that they have developed the world's fastest computer. Hitachi recently laid claim to the title with its M-280-H model with a logic circuit that reportedly operates at a speed of 0.45 nanoseconds (billionths of a second). Both manufacturers assert that their respective products thus are faster than the IBM 3081 processor, the top-of-the-line offering of the U.S. manufacturer.

For its VLSI project, MITI assembled researchers from four competing major electronics firms and distributed information on how research was progressing to all of them, thus restraining incentives by the participants to develop technologies for their own company's benefit, as rival firms would automatically have access to them.

This experiment is seen as a breakthrough in Japanese scientific research practices, which have been plagued by fragmentation and com-

partmentalization that prevented scientists from different fields from working on joint projects.

About 120 top-flight researchers are taking part in this program, which, so far, has spawned 1,000 patent applications.

The "super-chip" is intended for use in so-called "fourth-generation" computers, which are expected to make their debut before 1985.

Meanwhile, the Japanese semiconductor and integrated circuit (IC) industry, using state-of-the-art technology, is booming. If five years ago, Japan imported 75 percent of its semiconductors from the United States, the latter share of the local market has now shrunk to 30 percent.

Moreover, Japan turned from being an IC importing country to being an exporting country in 1979 when it shipped abroad \$442.5 million worth of these devices against imports of \$417.7 million. This represented a 2.1-fold increase in exports over the previous year. Of these, \$184 million worth were shipped to the United States.

In 1980, total IC exports jumped to \$887.9 million, according to industry sources.

If California has its Silicon Valley and Texas its Silicon Plain, Japan's southernmost main island, Kyushu, is fast becoming known as Silicon Island.

Newest IC Factories

It is there that the country's giants in the electronics field, such as Nippon Electric, Toshiba and Sony, as well as America's Texas Instruments, have chosen to build their newest IC factories.

The reason given for this is that Kyushu offers a labor force of high quality, water with low mineral content and few impurities, and excellent facilities for shipments by air.

According to an estimate by the Tokyo office of the brokerage firm Bache, Halsey, Stuart and Shields, the construction of an IC plant with a 500,000-a-month output requires an investment of at least \$15.2 million. Nine major Japanese electronics firms increased the number of such plants in various parts of the country by 78 percent in 1979 and by 47 percent again in 1980 by investing an estimated \$749 million in that year alone, the firm reports.

Ichizo Yamauchi of the Nomura Research Institute explains this surge in IC plant investment as follows: "As latecomers in the field, Japanese manufacturers considered it extremely important to sacrifice short-term investment efficiency and short-term returns on investment for the sake of long-term growth. They made bold anticipatory investments in research and develop-

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Plant and Equipment Manufacturers Are Meeting Difficulties on a Variety of Fronts

TOKYO — Wedged between cheaper export loans provided by rival industrial nations, and growing pressure from Third World countries for technological transfer, Japanese plant and equipment manufacturers are hurting. In keeping with traditional practices, they are turning to the government to ease their aches.

Government and industry estimates forecast a decline in plant exports to about \$10 billion in the fiscal year ending March 31 from a record of approved exports of \$11.785 billion a year ago. This will be the first time that such exports have declined. Japan defines as plant exports any exports of machinery or equipment valued at \$500,000 or more.

According to OECD figures for 1977, the latest available, Japan ranked third, after West Germany and the United States, among plant-exporting countries, with 10.8 percent of the business worldwide. In that year, Japanese exports were valued at \$8.607 billion.

Japanese industrialists attribute this year's decline in plant exports principally to the aggressive sales campaigns mounted by their foreign competitors, backed by their respective governments.

Recent Failures

They point to the recent failures of Japanese bidders to clinch juicy plant and machinery contracts in Mexico, Morocco and East Germany.

The Mexican setback was a particularly hard blow as it came shortly after Rokusuke Tanaka, the Japanese minister of international trade and industry, had offered President Jose Lopez Portillo a loan in yen equivalent to \$740 million during a visit to Mexico early this year.

The Japanese bidders had their eyes set on the sale of an estimated \$120 million worth of electric locomotives and signaling and communications equipment for a 350-kilometer stretch of rail line between Mexico City and Queretaro.

American bidders walked away with more profitable orders for the electric locomotives and the signaling system, while an Italian firm was awarded the overhead wiring and power transformer station contracts, leaving the Japanese with only a \$14-million deal for communications facilities.

The terms of credit that the suc-

cessful bidders offered Mexico are not available in Tokyo, but Japanese plant exporters attribute their recent loss of two contracts in Morocco to the favorable credit terms offered by their French and British competitors in the form of "mixed loans" arranged with government support. These loans combine government and private export financing.

One deal involved the construction of a wire rod mill for Sonasid, a state-owned enterprise, at Nador, valued at some \$190 million. The British bidder was successful when he offered a \$17-million, 25-year credit at no interest with a seven-year grace period, provided by the governmental U.K. Export Credits Guarantee Department, combined with a private loan in keeping with the 1978 OECD "consensus" guidelines on annual interest rates and maturity.

The Japanese had offered a 10-year Export-Import Bank buyer's credit at 7.5 percent interest.

A Japanese group also lost in the bidding for building a \$160 million lubricating-oil plant and other facilities on a turn-key basis at Mohammedia, near Casablanca, to the French state-owned Technip company. The French offered half the amount needed to finance the project at 3.5 percent yearly interest for 25 years, with a seven-year grace period. The Japanese financing offer was far less favorable.

Two major Japanese trading companies that had joined forces to bid for a mammoth steel complex in East Germany estimated at \$1.5 billion were confident that they had the inside track, principally because of their technological advantage. They were due for a rude shock. Secretary General Erich Honecker of the East German Communist Party, on a visit to Vienna, abruptly announced that the project had been awarded to the Austrian Voest-Alpine company. The announced reason was that the Austrian bid was almost \$300

million lower than that of the Japanese.

To add to their woes, China has recently abruptly canceled or suspended eight major contracts for the construction of 11 oil chemical and one chemical plant projects as well as the expansion of a huge steel complex with 26 Japanese contractors with an estimated total value of \$1.44 billion.

The Peking authorities explained that this scaling down of their modernization program was necessitated by a re-ordering of their domestic priorities to cope with a \$7.38 billion budget deficit in 1980.

However, observers attribute the Chinese action, which raised howls of protest in Tokyo, to the fact that Peking does not have the money to buy what it had ordered following its failure to achieve oil production and related foreign exchange earnings goals.

The Chinese have promised to follow "international economic practices" to compensate Japanese manufacturers for their losses without, however, indicating how much they are willing to pay for opting out of the contracts.

Meanwhile, the Tokyo authorities are reported to be lending a sympathetic ear to industry requests for a revision of Japan's export financing practices so that plant exporters will be able to offer better loan terms.

Oil Crisis

Plant and machinery exports were counted upon to take up the slack in exports when the shipbuilding industry shrank following the 1973 oil crisis.

With generous government financial help, the industry reduced its shipyard capacity by 40 percent, keeping its newest yards and closing its oldest.

To avert across-the-board unemployment, numerous shipyards then turned to the production of plant and equipment as a sideline.

Hitherto, Japan has adhered to a policy of not extending loans on concessionary terms through its Overseas Economic Cooperation Fund for financing exports of production equipment. It also refused to lend to nations with an annual per capita income of over \$1,200 at ODA (official development assistance) low-interest terms.

These restrictions are now likely to be scrapped to enable Japanese plant and machinery exporters to

offer prospective foreign customers "mixed loans," as some other countries are doing.

The Export-Import Bank is also expected to relax rules that are held to hamper the financing of plant exports on a small scale, that is, valued at less than \$100 million. The bank now provides suppliers' credits for plant exports at annual interest rates ranging from 6 to 9 percent with maturities of two to 10 years.

Another problem plaguing Japanese plant exports is the growing trend among developing nations of making technological transfer a condition for the purchase of equipment.

No longer are a number of such countries satisfied with having Japanese manufacturers supply

their products, install them and put them into operation on a turn-key basis. They are requiring the manufacturers to allow their own engineers to participate as "trainees" in the entire production process in Japan, from the drawing of design blueprints to the completion of the equipment, including the machining of necessary parts, their assembly and testing.

Language Barrier

Japanese manufacturers are reluctant to agree to these conditions on the grounds that it means divulging not only their production know-how but, at times, jealously guarded proprietary industrial secrets.

Another obstacle facing manu-

facturers in accepting such "trainees" in their facilities is the language problem. The latter have either to be taught rudimentary Japanese technical terms before they leave their home country by teachers sent from Japan — a process that takes at least six months on a two-hour-a-day, five-day-a-week basis, or being assigned interpreters on the job when they take part in various operations in the production process when in Japan. Either way, this is costly and in most cases the Third World countries expect the Japanese supplier to bear the expenses.

This problem is further aggravated when the trainees come from Francophone countries, mainly those in Africa. The Japanese are more familiar with English, as their technological knowledge was

mostly acquired from speaking nations. More-
over, interpreters who are
quite competent in a
language are in a
ply and consequently ve-

Compounding these Japanese manufacturers' deficiencies in academic ground and in practical often found among engine developing countries. These deficiencies prevent them from absorbing the sophisticated how that confronts them at these factories.

However, manufacturers are finding that they have to deal with demands for training if they obtain contracts.

'The Right Product at the Right Time'

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many analysts, it is doubtful, even after they produce a sufficient number of fuel-efficient cars, whether American automakers will be able to regain the patronage of many buyers who now drive Japanese products.

The success of the Japanese car in recent years is all the more remarkable given the fact that the Japanese yen has dramatically appreciated of late.

Only a few years ago, it hovered between 280 and 300 to the dollar, but it has since soared to around 200 to the dollar. This appreciation makes Japanese autos — and other exports — much more expensive for foreign purchasers. Only "rationalization" measures which serve to cut costs — automation and energy-saving measures — have allowed the Japanese automakers to stay competitive despite the surge of their currency.

Despite their success, Japanese auto makers and observers of the auto scene are increasingly uneasy about the future. On the one hand, they face the prospect of a tide of protectionism in the United States as well as in Europe. An "orderly marketing agreement" or some other form of trade restraint between the United States and Japan, is quite likely — especially if the American auto industry does not make a dramatic turn for the better.

'Dangerous Precedent'

Such an agreement would not only limit Japanese exports to the United States, but would threaten to spill over to other trading partners. "A restraint agreement with the United States would set a dangerous precedent," says a Nissan executive. "This is one thing we would like to avoid at all cost."

On the other hand, the Japanese auto makers are caught on the horns of a domestic dilemma. With the Japanese auto market also stagnating — sales and registrations at home

are slack, and many dealerships are in deficit — they are under increasing pressure to export. In the past, the Japanese have usually been able to balance off weak export performance with strong domestic sales records, but this year, it looks as though they face the prospect of stagnation or decline on both fronts.

At least one Japanese producer, Mitsubishi Motors, which is 15 percent owned by Chrysler Corporation of the United States, faces another unpleasant prospect: It has come under increasing pressure from American officials to rescue Chrysler, by purchasing all or part of the parent company.

Considering the fact that Chrysler nurtured Mitsubishi Motors (as other U.S. auto companies nurtured Japanese auto makers when they were in their earliest stages of post-war production), that seems not an unreasonable request.

Brink of Bankruptcy

But now that Chrysler is on the brink of bankruptcy, Mitsubishi would like to distance itself as much as possible. The Japanese firm is also irked by the fact that Chrysler has been more aggressively marketing its own, new fuel-efficient cars (on which it makes a higher profit) in the U.S. showrooms that it shares with Mitsubishi Motors.

Mitsubishi is also likely to frustrate U.S. policy makers who are urging it to buy or merge with Chrysler, because Mitsubishi management takes a dim view of Chrysler's product line, and its chances of its renewed success, even under Japanese management. As one Japanese executive puts it: "Who wants to buy a dying man?"

Given the fate of other auto makers, the Japanese should consider themselves quite fortunate. With most of the world's big car producers in deficit, the worst of the big Japanese makers have to report is a slight decline in

profits. Already Toyota's profit figure reflecting the company's efforts to re-export to the United States. Last year's earnings declined some 23 percent.

Toyota executives say that they can for some of the shortfall already be the U.S. market, but the kinds of cars sell instead, to markets in the Near East, Latin America, are lower-priced, low margin vehicles. Moreover, a Toyota admits: "America is a comfortable Advertising and promotion activities World countries are much more difficult to accomplish."

Internationalization

One highly touted, long-range goal of Japan's auto makers is to achieve internationalization of Japan's auto industry. Already, there are clear signs that auto makers are moving to produce number of their vehicles overseas, at what the consequences for Japanese meant.

Honda has already made plans to build a plant in the United States, and Ford, for months, to persuade Toyota (maker of Mazda) or even Toyota to build a plant in the United States. Nissan, which has a pickup truck plant in Tennessee working on a feasibility study which, says, indicates good chances of success due in the United Kingdom.

Unfortunately, every solution leads to problems. So Nissan's talk of a British plant, welcomed enthusiastically by government officials, is being viewed with skepticism by French and other continental auto makers. Japan's effort to enter through the door of the Common Market, a move which would further hurt French and German companies.

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Investing In Japan ASK NOMURA

What makes Japan so attractive?

The answer is simple. Industrial might, economic growth and political-social stability. Investment in new plant and equipment has led to technology-intensive industries and record-breaking productivity.

Paradoxically, Japan operates over half the world's industrial robots, yet it still has full employment. When you consider the stability, skill and diligence of this workforce, you begin to appreciate why it is sometimes referred to as 'Japan Incorporated'.

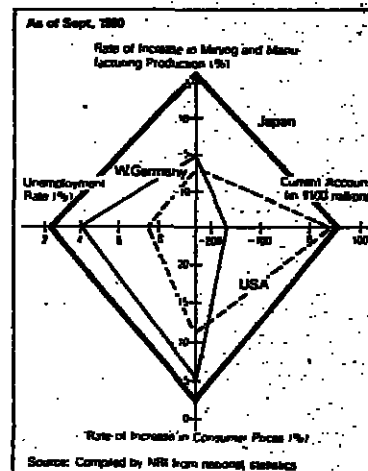
True, Japan does not have an ounce of ore it can call its own, but it more than makes up for it with a ton of technology. That is what makes it such an attractive market to foreign investors.

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Japan's economic strength is its low jobless rate, unrivalled industrial output, stable commodity prices and favourable balance of payments.

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5521 10/11/81

Foreign Banks Are Challenged

By Stephen Brontic

Foreign banks have had an easy time operating in Tokyo. Now that Japanese city banks are getting into the foreign market, the Japanese banks are being challenged. The Japanese banks are being challenged by the foreign banks in the domestic market. The Japanese banks are being challenged by the foreign banks in the domestic market. The Japanese banks are being challenged by the foreign banks in the domestic market.

In June, 1979, the Ministry of Finance delivered some bad news to foreign banks. As part of a defense package, it authorized Japanese banks to resume impact loans. The result was a long-term impact loan in March, 1980. Japanese banks lost no time in getting into the market. They lined up cash-short trading firms and top-grade heavy industrial companies looking for a new foreign exchange financing procedure for loans went into force in December, 1980. In the meantime, long-term impact loans by foreign banks continued to pile up along with the \$150-\$250-million per range they had stagnated at before.

also appears to have played a role. Since the 1973-74 oil crisis, Japanese corporations have been steadily paying down their bank loans to reduce interest payment burdens and cut overall operating expenses. For the banks, this has meant steadily shrinking loan demand from many of their most important clients.

To offset these losses, the banks have been twisting arms at the Ministry of Finance for permission to enter new markets. By opening up impact loans, the ministry could profit by making a politically important concession to the banks, and speed up the reform of Japan's archaic interest rate system, long a sore point with foreign financial institutions and governments alike. Lost in the shuffle were the interests of Tokyo's foreign bank branches.

Why have Japanese banks proven much more successful at leading dollars than U.S. banks? Because they will do it much more cheaply. Long-term impact loans extended by the Japanese banks have carried mere 4 percent spreads, while short-term loans have gone for a scant 1/4 percent over the cost of funds. Managers of Tokyo's foreign banks say they lose money when they extend loans with less than 1/2 percent margins.

The headache for foreign bankers is that by losing the market for impact loans a lot of other business will go down the drain, too. When foreign banks enjoyed a monopoly in impact loans, they possessed a valuable entry to large companies not normally interested in the services of foreign banks. Foreign banks could, for example, count on picking up a lucrative foreign exchange deal once an impact loan was signed. So losing an impact loan means losing a foreign exchange deal, too.

In looking for new business lines to pursue, foreign banks are going to have to overcome some formidable barriers. Larger Japanese corporations that foreign banks prefer to deal with are usually members of large conglomerates built around Japanese city banks. Frequently the chief finance officers of these corporations are men seconded from the main bank who are not interested in expanding relations with a foreign competitor.

But Tokyo's foreign bankers are not yet willing to throw in the towel. Instead, they will try to take

advantage of a number of other reforms permitted by the government that have somewhat improved yen funding options for foreign banks in Japan.

Most significant has been the extension of yen refinancing facilities to foreign banks by the Bank of Japan since February, 1980. The three large American banks are being allowed to borrow 4 billion yen (\$20 million) each and the smaller banks up to 500 million yen (\$2.5 million) at a highly attractive 4 percent over the official discount rate.

The steady liberalization of Japan's short-term interest rates since June, 1978, has broadened the bill discount market, an important source of yen funds for foreign banks. The Ministry of Finance is now viewing applications for new branches and representative offices more favorably than it has in the past. That will bolster the bank's abilities to collect more yen deposits. In May, 1979, foreign and Japanese banks were allowed to issue yen-denominated certificates of deposit for the first time, and foreign banks were given access to the short-term "gensaki," or bond repurchase market.

Larger and more reliable sources of yen funding will let foreign banks launch an assault on the domestic yen loan market, long the stronghold of the Japanese banks. It has also opened up opportunities in areas where the large Japanese banks have yet to venture. The recent proliferation of foreign consumer finance companies in Japan, many of which are affiliated with foreign bank branches here, is just one example of the foreign banks' new pioneering spirit.

Foreign bankers point to other fields where there is room for expansion. The new foreign exchange law has laid the foundation for the considerably larger and more active foreign exchange market in Tokyo. Many foreign banks are already gearing up for the enhanced interbank dealing opportunities that a more mature market will bring. Others say their branches will be focusing more on corporate non-loan services.

But no matter how aggressive a stance foreign bankers adopt in their pursuit of new business in Japan, even the optimists admit that it is unlikely that they will ever get far beyond the 2.5 percent market share they now possess.

The Frayed China Connection

By Gregory Clark

TOKYO — From boom to bust in less than 12 months might be an exaggerated description of Japan's economic relations with Peking, but not much. In December, 1979, then Prime Minister Masayoshi Ohira announced in Peking a \$250-million aid program for China and commercial credits worth \$8 billion. In February, 1981, China canceled a series of plant contracts with Japan causing losses to Japanese companies put at \$1.5 billion.

What went wrong? The official Chinese explanation places the blame on over-optimistic estimates of China's ability to industrialize. After contracting for everything from a fully-integrated iron and steel plant near Shanghai to several dozen chemical plants scattered across the country, the Chinese found they had neither the money nor skilled personnel to complete them.

To prove it, they have cut their national budget by more than 10 percent and the industrial investment component by about 45 percent.

But there have been hints that a power struggle in Peking could be part of the reason, with cancellations and cutbacks part

of an attempt to further discredit the former Hua Guofeng administration.

Vague Promises

The Japanese, shocked by the way in which they were informed of the cancellations — in some cases with little more than a curt letter in English — have made their displeasure clear and have hunted at reappraisal of the whole relationship. The Chinese have responded with vague promises of compensation.

The situation remains in a stalemate, with some liberal-minded Japanese calling on their country to make a noble gesture — further credits to help ease the plant cancellation pain — as compensation for World War II damage. (China waived all claim for war reparations when relations were normalized in 1972.) Few expect Peking to come up with adequate compensation, and most of those caught with canceled contracts are blaming themselves for getting caught up in the China euphoria of the late 1970s.

Japan seems willing to go ahead with its promises to China. Most involve port and railway building to allow China to expand coal exports, something that is just as much in the Japanese as the Chinese interest.

Trade relationship also seems unaffected, with the total of exports and imports up a large 41 percent last year over the previous year's level to \$9.4 billion. The trade surplus in favor of Japan reached \$600 million.

However, hopes that China would become a major supplier of oil to Japan are fading. China currently exports around 8 million tons of oil to Japan annually, but rising domestic demand in China and slow development of new reserves suggest that even this level of export might falter. Exports this year have been cut to 160,000 barrels a day, or 14 percent below the level set in a 1978 agreement. In 1979 the Japan National Oil Corporation signed an agreement with the Chinese to help prospect and develop undersea reserves in the Bohai Gulf.

Slow Start on Credits

As with many of the other aid and credit agreements with Peking, the Chinese have been extremely slow in getting started. Very little of the \$8 billion offered in commercial credits has been taken up, and the Chinese have implied that the interest rates are too high (LIBOR plus 0.25 to 0.50 percent). Hopes are fading that bilateral trade will

reach the \$20-\$30 billion level by the 1990 end of the 1978 long-term trade agreement.

More unsettling are indirect Chinese claims that the Japanese plant and technology offered to China during the boom years were overpriced and unsuitable for Chinese conditions. There is no explanation of why China accepted such unfavorable deals at the time, but the hints of under-the-table horse trading remains plain.

Nor has there been much progress in the other area of bilateral economic relations: joint manufacturing ventures in China. Several ambitious schemes to join with the Chinese to create electrical goods and electronics industries have been proposed, particularly by veteran Japanese industrialists Konoike Matsushita. But apart from a Peking-duck restaurant scheme, little of note has materialized.

The Japanese say that in addition to the problems caused by China's current economic slowdown, the conditions on which the joint ventures would be set up and run remain very vague. No clear guidelines exist for profit calculation and taxation. The degree of Japanese control also must be spelled out.

One form of industrial cooperation which has worked out well is compensatory trade. Based on the pattern set by Western European companies operating in Eastern Europe, the Japanese offer technology and machines to selected Chinese factories and assist them in production of goods required by the Japanese market. The goods are then accepted in payment for services rendered.

To date, most successful examples have been concentrated in textile goods, particularly from the Shanghai area. But the Chinese have suggested several hundred new projects covering everything from optical goods and computers to plastic toys and watches. One Japanese complaint with the scheme so far is the problem of quality control, and much seems to depend on selection of the factory to handle the work and subsequent supervision by Japan.

One important Japanese gesture has been the extension to China of its preferential duties system, which went into effect in April, 1980. It has helped the Chinese greatly in their competition with other Asian nations for a slice of the lucrative Japanese market in labor-intensive goods and raw materials.

R & D Gets a Big Push in Japan's Electronics Industry

(Continued from Page 75)

ment as well in plant and equipment, continually introducing the most up-to-date facilities.

The 'Money-Eaters'

As a matter of fact, the first Japanese ventures in IC manufacture in the early 1970s had dismal results, the plants being dubbed "money-eaters."

But this is no longer true. Toshiba, Hitachi and Mitsubishi Electric all credited their strong sales of high-profit and high-value-added products, such as ICs, in helping them chalk up increased profits during the first half of fiscal 1980 that ended last Sept. 30.

As Japan's electronics manufacturers are thus gearing up for an IC assault on world markets, they are continuing to heighten their

dominance in the video tape recorder field.

VTR exports in 1980 on a Customs clearance basis amounted to \$2.142 billion for a 99.6 percent growth over the previous year, with 3.44 million sets being shipped abroad for an annual increase of 106 percent.

Of these, 1 million sets were exported to the United States for a 52 percent increase over 1979, while 1.3 million units (2.5 times the previous year's figure) went to European Economic Community nations, the remainder being directed to Middle East and Latin American markets.

Japanese VTR manufacturers now are credited with controlling 90 percent of the world market, their two major competitors being Philips in the Netherlands and Grundig in West Germany. Last year was also a banner year

for exports of color TV sets. These totaled 4.65 million units for a 58 percent increase over 1979 and were valued at \$1.376 billion, a 41 percent growth. This was the largest recorded export figure since 1976, when 5.3 million sets were shipped overseas.

Although TV exports to the United States decreased, those to the EEC rose, on the contrary, by 40 percent, with shipments to West Germany jumping 84 percent from a year earlier.

Japanese manufacturers of household electronics, however, are not resting on their laurels. They are busily devising new ways to tap consumers' pockets.

With an eye to the future, they have begun introducing in the domestic market what they call "component TVs."

They are offering for sale, separately, TV monitors, channel selectors and speakers, from which the consumer picks out the components he wants and then plugs them into each other.

Integrated System

Under this formula, the owner of a stereo audio system can plug in a TV monitor to convert it into an integrated home entertainment system that will play video and audio discs and tapes, and receive both visual and audio broadcast information.

The manufacturers assert that with components, consumers will not have to junk their old sets every time a technological advance comes along.

When stereophonic TV was introduced in Japan in 1978, they re-

call, all existing sets were instantly made obsolete. Their argument is that when cable or satellite reception increases the number of channels available, the buyer will only have to replace the tuner and not the whole box-like TV set of today.

This component approach will also facilitate the eventual conversion of the home entertainment system into a two-way receiver-transmitter for use with Teletext information systems when these come into general use.

Another product being marketed is an audio record player with a dual pickup that, avoids the need of the listener to turn over the record disk. The device, controlled by a micro-computer chip, automatically starts playing the other side of the disc as soon as the recording on one side comes to an end.



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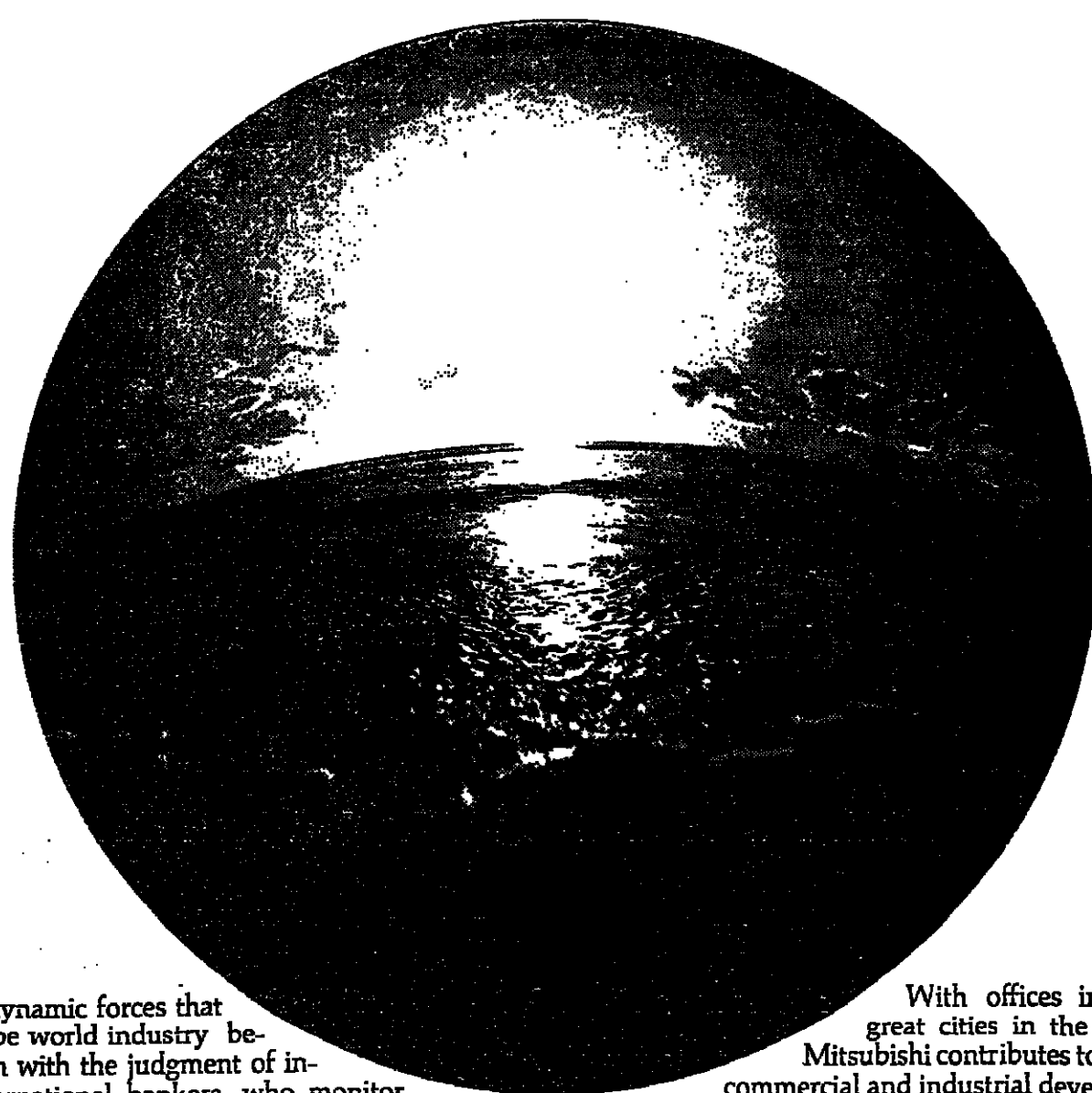
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JAPAN

Japan Adjusting — Slowly but Surely — to Its Expanding Role in International Affairs

By Roger H. Schreffler

TOKYO — The developing world and the entire process of modernization — social, political and economic — has been an enigma for policymakers in the West since it was decided some 30 years ago that it was in their respective national interests, in an effort to counter advances by Communist bloc countries, to cultivate relations and seek the loyalty of the world's unchosen ones.

In their endeavors, however, the entire range of questions concerning such things as national aspiration levels, deprivation (relative and otherwise) and the need to preserve certain "old world" values in the face of a frontal attack on traditional beliefs has more

times than not eluded the good-intentioned — and sometimes not-so-good-intentioned — proselytizers from the West.

Although Japan was one of the earliest postwar converts — and beneficiaries — of this sort of nation collecting, the Japanese themselves have for the most part refrained from taking an active role in trying to convert the developing world to the advantages of democracy, or for that matter, any particular political ideology, choosing instead to stay in the background so as not to antagonize or anger potential trading partners.

However, with its newfound wealth — the Japanese economy accounts for roughly one-tenth of the world's total gross national product — the Far Eastern eco-

Over the next five years Japan is planning to double its economic aid to more than \$20 billion.

economic giant can in the years to come be expected to play a more positive role in international affairs than ever before, and increasingly promote its own low-key version of conducting international affairs.

Over the next five years Japan is

planning to double its economic aid to more than \$20 billion. However, in terms of the ratio of official development aid to GNP, Japan still ranks rather low compared to most Western industrial nations, and there has been an increasing call for the Asian economic giant to assume a greater share of the burden.

The newly appointed president of the Overseas Economic Cooperation Fund, Takashi Hosomi, recently stated that Japan must increase its official developmental assistance "not only to help developing countries but also to relieve some of the burdens of other major industrial countries."

Increasingly in recent years, leaders from both the public and

private sectors have called on the nation to play a more influential role in world affairs, one that befits a country having the world's second largest gross national product. One area where Japan has some potential is through helping to mediate conflicts — particularly regional affairs — by using the country's vast economic might as a political tool to gain some leverage over recalcitrant nations.

Suzuki Tour

A case in point surfaced recently on Japanese Premier Zenko Suzuki's 13-day tour of the five Southeast Asian nations that make up ASEAN (the Philippines, Indonesia, Singapore, Malaysia and Thailand), which was viewed by many as proof of Japan's new, more positive role in international affairs.

Throughout the nearly two-week visit, the Japanese premier, at least on the issue of Vietnam's 1979 invasion of Cambodia, aligned Japan closer with ASEAN than any previous Japanese leader. Japan, which in the past has sought to promote friendly relations with "all countries" regardless of ideology, angered and frustrated its ASEAN neighbors when it promised Vietnam more than 14

billion yen in aid a few years ago, then later froze it.

With the recent clarification of official policy on the Cambodia question emerges a growing belief that the frozen 14 billion yen in aid might be used to help bring about a Vietnamese troop withdrawal.

Changing Relations

ASEAN nations, despite having feelings of resentment that go back to Japan's wartime behavior in the region, nonetheless generally admire Japan for what the small, resource-poor nation has been able to accomplish in challenging and surpassing most Western nations in one industrial area after the other. And although Japan and the ASEAN Five appear to be linked by common ideology, race and mutual interests in economic and geopolitical questions, the ASEAN nations have been frustrated at never having been able to win Japan's strong support and interest.

The common view in the past was that many of Japan's economic and political concerns were tied to Europe and the United States. Now, in spite of the fact that Japan has a clear interest to help develop Southeast Asian resources (particularly petroleum), its atten-

tion has turned to strengthening ties with its powerful neighbor, China.

Traditionally, in pursuing developing world ties, Japan has given higher priority to the nations of Southeast Asia and the Pacific region. Because of their abundance of resources (timber and petroleum, for example), Japan has been able to exploit the nearby raw materials to help keep its industrial machine running at full steam.

The region has also provided a natural marketplace for such commodities as motorcycles, heavy equipment and so forth. In fiscal 1979, for example, Japan had a nearly \$17 billion trade deficit with the five members of ASEAN, largely because of substantial oil imports from Indonesia and Malaysia. And, the trend can be expected to continue, with some modification, in an energy-short world.

After the Crisis

In the past, many countries in the region have felt that a considerable portion of Japanese investment has been tied to Japan's own industrial interests rather than the needs of the host countries, and this can also be expected to change.

Since the world's first oil crisis in 1973, Japan has been forced to re-evaluate its relations with politically unstable Middle East nations, particularly Iran, which has a difficult situation with its rich Gulf, having to balance ten conflicting views of its ally and protector, the United States, with those of the Arab producers from which Japan receives about 80 percent of its petroleum imports and 60 percent of its total yearly energy supply.

The "fragile giant," as Zbigniew Brzezinski once called Japan, has dithered any policy that would tension in the region at a minimum and not threaten the nation's oil supply line.

The war between Iran and Iraq is a case in point. Not only did Iran virtually lose two of its export markets of recent years with the closing of Iraqi ports, a major source of oil, as was supplying Japan with about 10 percent of its national annual requirement.

Fear of a nationalization of Iranian investments in Iran as a result of the Iranian revolution, one of the reasons the Japanese government recently initiated negotiations with the nation's government on agreements to guarantee overseas investments.

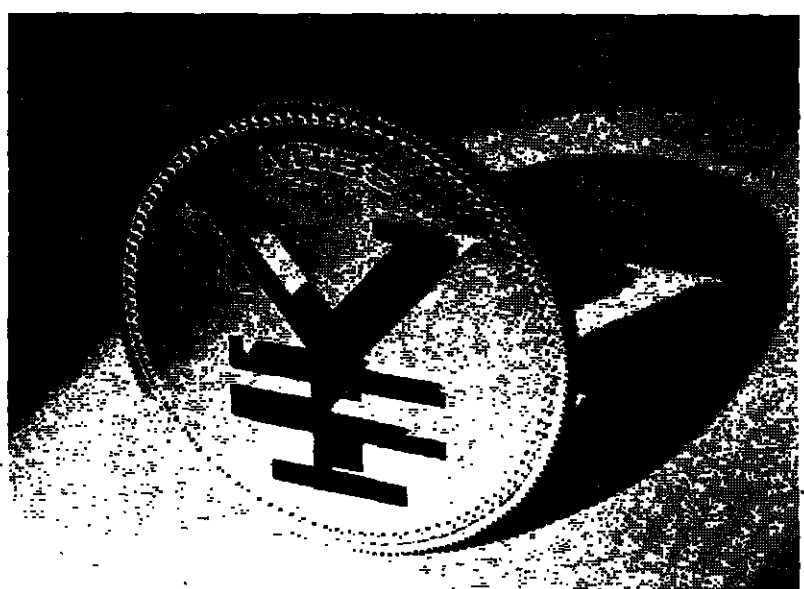
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Educational System Continues to Get High Priority

By Gregory Clark

TOKYO — One out of every four Japanese — or about 27 million people — is enrolled in an educational institution, offering proof of the importance the Japanese continue to place on education as the major means of maintaining their resource-lacking islands as one of the world's powerful economies.

This figure does not include the many millions who each year go through intensive in-house training courses in Japanese businesses.

In addition to the millions in Japan's six-year elementary schools, three-year middle schools, three-year secondary schools and universities, about 2 million go to kindergartens. Education in Japan is

compulsory, and free through the end of middle school.

But for most, middle school is just the beginning. More than 90 percent of middle school graduates go on to secondary school, and just under 50 percent of secondary school graduates go on to universities.

Despite these impressive figures, criticism of Japan's educational system remains heated, much of it focused on the so-called examination "hell." In Japan's group-oriented and highly competitive society, much attention is paid to the place in which one receives one's education.

Graduates of the prestigious Tokyo University, in particular its law-school alumni, are virtually guaranteed a free ticket to the top echelons of Japanese society. Most

of Japan's top bureaucrats today graduated from there.

Parents will do anything to get their children into well-known universities. At times this has gone so far as back-door payments of thousands of dollars, but for the most part it involves forcing children through a series of progressively more difficult examinations.

To pass the entrance exams of a good university one must have gone to a good secondary school. To get into a good secondary school, which also has its difficult entrance exams, one has to have gone to a good middle school. And so on, all the way down to kindergarten. Even kindergartens have strict entrance tests to weed out the less gifted.

One result of all this is the juku system. Juku are private cramming or preparatory schools which offer,

for a large fee, to prepare children for each of the various exams. Estimates suggest that at least half Japan's schoolchildren will enter at some time or other at a juku, spend as much as three hours a day after normal school hours preparing for exams.

Entrance exams have become difficult that even the bright child cannot pass them simply the basis of what he learns in normal school. Each year brings crop of suicides as young Japanese agonize over the loss of career potential and the shame they have brought to their families in failing to win acceptance to an elite university.

Given this effort to pass exams one would expect standards to be fairly high and to some extent it is true; on a direct year-to-year basis. (Continued on Page 115)

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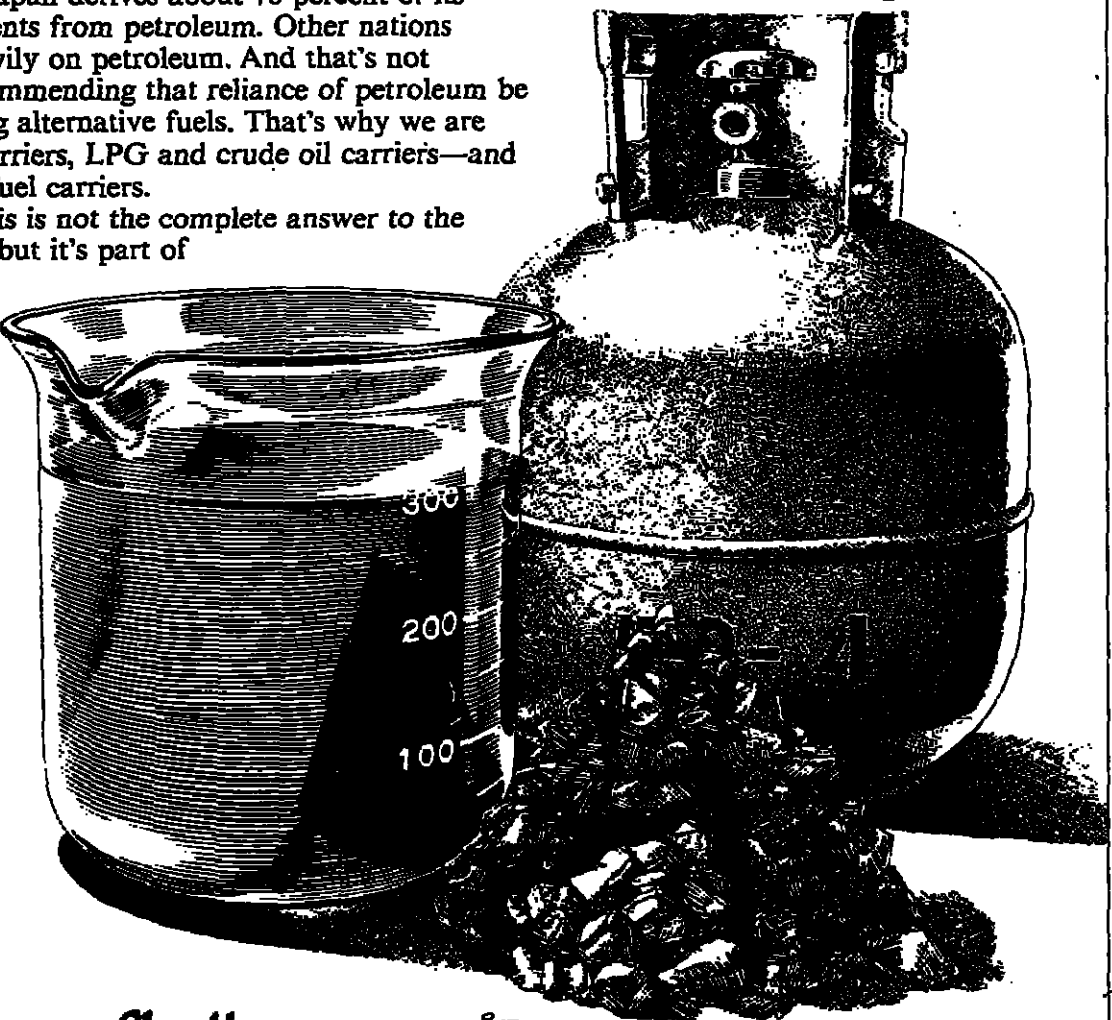
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A joint venture with China's capital city Sanwa Bank has had a long and friendly relationship with China, a relationship that has borne fruit with many Sanwa "firsts" vis-a-vis commercial activities with that country. Last year Sanwa marked another first when it announced the establishment of a joint venture with the city of Beijing. The primary object of this joint venture, which is physically located in Japan, is to promote the flow of business information between Japan and Beijing, so that economic relationships can be strengthened and encouraged.

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Sanwa Bank recently played a leading role in developing a computer-linked automatic cash dispenser network among seven of the largest commercial banks in Japan. This new tie-up will greatly aid depositors by enabling them to withdraw their funds from any of the 4,500 cash dispensers of the participating banks. Sanwa also recently inaugurated a futuristic computer access system which permits busy clients to check their account balances and receive notices of incoming funds by simply picking up a pushbutton telephone. Responses are given in an electronic voice. This is the bank's first step in the direction of a broad spectrum of telephone-based electronic banking services.

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JAPAN

Increase Expected in Japanese Investment in Europe

By Linda Bernier

PARIS—Although there is some skepticism about a change in Japanese foreign investment practices, Japanese industrialists and officials say Europe can expect a substantial increase in Japanese investment in coming years.

Heretofore, direct Japanese foreign investment has been concentrated in the Third World, which supplies Japan with raw materials. From 1951 to 1979, 61.9 percent of Japan's total foreign investment was in Latin America, Asia, the Middle East, Africa and the South Pacific. About 38 percent was invested in Western Europe and North America.

"Japan's first priority has been to develop raw-material markets, not to invest in Europe," said Dominique Olivier, director of the Franco-Japanese Office of Economic Study. "When the influx of Japanese tourists began to invade Europe in 1960-1965, the Japanese did start to invest. But unlike the Americans, who came to make money, the Japanese came to provide services for their tourists—hotels, restaurants, gift shops."

Investment Mentality

Mr. Olivier doubts that there will be a significant increase in Japanese investment in Europe because, he said, "it is not in the Japanese mentality to invest abroad. That is considered very unpatriotic."

But Japanese officials disagree. They say Japanese investment in Europe is a way to help subside the current friction over Japan's trade surplus with the European Economic Community and prevent possible import restrictions by European countries suffering the most from the recent deluge of Japanese exports.

Japan's trade surplus with the

EEC rose from \$7.1 billion in 1979 to a record \$10 billion last year.

"Investment in Europe, so we can exchange technical expertise, hire Europeans and produce together, is one way to remedy the situation of structural differences which has led to trade imbalances," said Kagawa Takashi, Japan's ambassador to the EEC.

"You can expect to see an increase in Japanese investment in Europe," he said, noting that in the past month Japanese businessmen and bankers have been visiting Europe as part of an official mission to study investment possibilities here.

Investment Spirit

"Although there is a certain repugnance by some Europeans to a Japanese invasion of Europe," he said, "we are planning to invest in the spirit of industrial cooperation and joint research," said Ambassador Takashi.

Of Japan's total direct investment abroad of \$4.9 billion in 1979, \$495 million was invested in Europe, according to figures of the Japanese Finance Ministry, which measures long-term liabilities and equity flows from parent companies financing direct investment.

To date the most important Japanese investment abroad has been directed toward Asia, 27.2 percent of total investment abroad, primarily in the mining sector; toward North America, 25.8 percent, primarily in the trade sector; and toward Latin America, 17.5 percent, primarily in the mining sector.

Nissan's U.K. Link

Japanese investment in Europe, primarily in the mining, financial and insurance fields, has so far represented about 12.2 percent of its total foreign investment.

The most striking recent example of Japanese investment plans for Europe was the announcement by the Nissan Motor Company last January that it will build a \$300 million plant in Britain that will produce 200,000 Datsun vehicles by 1986. This is said to be the largest Japanese investment in Europe to date.

Honda already has a joint venture arrangement with British Leyland in Britain and one with Fiat in Italy. And, according to its president, Kiyoshi Kawashimi, the company hopes to develop its joint ventures in Europe.

Among the Japanese firms planning to expand their European production are Sony, Olympus Optical and Nippon Electric, which is building a \$34 million plant in Livingston, Scotland, and is planning to increase production at its Bellvue, Ireland, plant.

In France the major Japanese investments include Japan's largest food processing firm, Ajinomoto, Sony, Pentax and Yosida.

Hitachi, Fujitsu Plants

Hitachi Ltd. is producing silicon-based memory chips in Landshut, West Germany, and Fujitsu is making microprocessors, memory chips and large-scale integrated circuits at its \$96 million plant near Dublin.

According to one OECD industrial analyst, increasing investment in Europe is indicative of Japan's increasing competitiveness in knowledge-intensive industries.

The current EEC-Japanese trade friction and consequent Japanese investment in the automobile industry will probably prove temporary as Japan becomes increasingly competitive in high technology fields, he said.

And with Europe's low capital

and operating costs and the proximity of its markets compared to Japan, it is becoming cheaper to produce in Europe, he said.

An executive of an important Japanese electronics firm said, "Some of our European customers refuse to buy our products unless they are produced in Europe."

High Technology

One Japanese official noted that it is also advantageous for high technology products to be manufactured in their selling market to facilitate custom designing, servicing and marketing.

It is cheaper to manufacture certain more labor-intensive goods in Japan because productivity is so high there. But, he said, even if there is an economic advantage to producing in Japan, Japanese industrialists will produce a certain amount in Europe to help overcome the current trade friction between the EEC and Japan.

"It is a political compromise to avoid being shut out of the market," he said.

He noted that since 1972-1973 the Japanese government has adopted measures to encourage long-term capital outflows, which has facilitated Japanese investment abroad.

Before these measures were adopted, government authorization was required to make investments abroad. Today, authorization is needed only for certain sensitive sectors—banking and securities, fishing and pearl fishing.

Favorable EEC Attitude

EEC officials look favorably upon the Japanese intention to increase their production in Europe. "In the past, Japanese investment here consisted mainly in establishing service and assembly facilities," said one EEC official, wary,

however, that in the future the Japanese might invest in sectors Europe already has excess capacity.

The European market presents certain problems to the Japanese investor, primarily resulting from different management techniques and labor relations, but also the reluctance of industry in such countries as France to ally to participate in joint ventures.

The Japanese are used to relatively smooth relations with labor force and a loyal and centralized management, with virtual decisions made by the parent company in Japan, said Mr. Olivier.

Typically, he said, "a company will send a group of men abroad to study investment possibilities. They don't speak foreign languages and rely on the embassy trade council for all their information."

Managers From Home

"Once they have established themselves, they use 100 percent Japanese managers so they get worst possible local opinion, since locals have no chance of reaching a position of top management," he said, noting that "most Japanese investors are not worried about losing money for several years."

Japanese industrialists seem to be focusing their choice of investment partners in Europe on the companies they believe will survive the current economic crisis, medium-sized partners ripe for takeover in relevant markets and partners they believe they can dominate through financial and marketing strength.

Some observers say that Japanese investment in Europe's southern region will be limited because of political uncertainty and economic problems—low productivity and labor strife.

Trade Surplus Controversy Keeps Relations With EEC on Edge

BRUSSELS—Japan's growing trade surplus with the European Economic Community and the possibility of a continuing flood of Japanese exports on the European market have strained Japanese-EEC relations.

Japan's trade surplus with the

EEC rose from \$7.1 billion in 1979 to a record \$10 billion last year.

The fact that a good portion of those exports are automobiles or other manufactured goods in economically sensitive sectors, such as steel and shipbuilding, or competitive sectors, such as electronics, has prompted a cry for protectionism among European manufacturers.

Trade Breakdown

The conflict, if not resolved, could have larger implications for Western trade. At issue, say both Japanese and EEC officials, is the breakdown of free trade as provided by the General Agreement on Trade and Tariffs (GATT).

"If Japan doesn't voluntarily restrict exports in certain sectors, European governments will most likely increase protective measures," said one EEC official. "It could mean the breakdown of the entire GATT."

Although the European Commission, the governing body of the EEC, rejected calls for European-wide protectionist measures against Japan, the threat of in-

creasing protectionism by individual governments still exists.

The sector now most sensitive to Japanese exports is the automobile industry. Even as worldwide demand dropped by about 10 percent last year, Japanese auto exports to Western Europe climbed about 27 percent.

According to Japanese officials, the European countries hardest hit are Denmark and Ireland, where Japan has 30 percent of the auto market, and the Benelux countries, where Japan has 25 percent of the market. Japanese auto exports to West Germany have surpassed 10 percent of the market. And in Britain the Japanese have been trying to hold their exports to 10-11 percent of the market.

Voluntary Restrictions

Because Belgium is considering invoking a GATT safeguard clause allowing the adoption of restrictive measures because of the serious injury Japanese exports have caused to its own auto industry, Japan is studying ways to limit its exports voluntarily, Japanese officials say. Voluntary export restraint is one answer to the current trade crises.

But, said Japan's ambassador to the EEC, Kagawa Takashi, "Japan opposes any formal agreement to limit its exports."

That would not only go against the GATT and Japan's own free market system, but would anger Japan's important trading partners, the United States, which fears a further rise in Japanese auto exports should the European market become more limited, he said.

While Japan looks favorably upon the official British and West German anti-protectionist stance, there have been bitter complaints about Italy and France's restrictive measures.

Italy has limited Japanese auto exports to about 2,000 vehicles a year and has quantitative restrictions against 38 Japanese export items. France has officially declared it would limit Japanese auto exports to 3 percent of its market and it has quantitative restrictions against 27 Japanese export items. Most of the restrictions are against automobiles, machine tools, TV sets and tubes, video tape recorders and other electronic goods, but there are also restrictions against toys, pharmaceutical prod-

ucts, watches and clocks, clothing fabrics and food products.

Japan has officially declared it is considering invoking the GATT against French restrictions, but Japanese officials say private industry hopes not to resort to such extreme measure.

At the root of the current trade conflict is the weakness and ineffectiveness of certain European industrial sectors in the face of economic problems and the different policies and attitudes of Japanese and Europeans concerning trade and industry.

"Everyone agrees that protectionism is not the answer," said one EEC official. "But in the meantime we (Europeans) have to keep going. While we restructure our industries we can't have the Japanese crush us to death."

"And there are political factors to consider, too," he said, noting that the pressures of social groups in sectors affected by Japanese exports, particularly during election periods, also influence European governments to restrict trade.

Europeans complain that if Japanese favor the United States over Europe and that they are not playing fair in terms of trade. "They take what they need and send out what they want," said a EEC official, complaining that if Japanese are prejudiced against buying most foreign goods, except perhaps for a limited number of luxury goods.

Japanese Imports

He pointed out that in 1979 Japanese imports of manufactured goods comprised only 25 percent of their total imports, while U.S. imports of manufactured goods were 57 percent of total imports and EEC imports were 45 percent of total imports.

"Japanese workers are among the most cohesive and highest skilled, particularly in numerical skills. We would have to send the British labor force back to school for 10 years to be able to compete with them," he said, adding that labor strife in Japan is not the problem it is in Europe.

"While the Japanese sweated for about 100 years studying the West," he said, the Japanese market had been very difficult for Westerners to penetrate. Until about 10 years ago, Japan had restrictions making investments difficult for foreigners.

Even today, he added, "the Japanese market is very difficult for foreigners. Higher capital outlays are needed and it takes longer to get a return on investment than in Europe."

The Japanese, however, say the Europeans have not been vigorous or even interested enough to pursue the Japanese market.

Said the Japanese ambassador to the EEC, Mr. Takashi: "We've been Europe 30 years and it was difficult for us, too, when we came. Today there are over 30,000 Japanese in the EEC. There are only 1,500 Europeans in Japan and most of them don't even speak the language. The Europeans only started to get interested in Japan after the 1973 oil crisis."

He denied the accusation that the Japanese are chauvinistic in their purchasing habits. "On the contrary," he said, there is certain prestige in buying foreign goods. Europeans just don't try hard enough to sell to us. They make a car and hope it will sell. We don't only make it, but have a very highly developed system of market research to determine customer tastes and needs."

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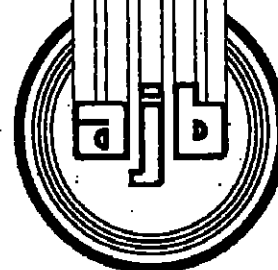
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Ship Construction: Full Steam Ahead

Roger H. Schreffler

TO — Having recently shed itself from the bottom, sized and restructured Japanese shipbuilding industry is setting a course for the future with the full knowledge it can negotiate for now from a position of strength. It has one of competitive results of a resurgence of orders (which in 1980 accounted for approximately 75 percent of all orders placed at Japanese yards), the world's No. 1 shipbuilding country is once again in the black. Late last autumn, first time in more than five years since the bottom fell from the world tanker market, all of Japan's major shipyards reported mid-term profits.

more encouraging, however, the news that local shipyards have a sufficient backlog to guarantee work for two to three years. Adding industry's renewed optimism to the shipbuilder's Association of Japan recently predicted Japanese shipyards, which are at about 50 percent of 1973 peak operating rate, will

result of a resurgence of export orders, the world's shipbuilding industry is once again making profits. Local yards now are king on a backlog of orders.

Cautiously Optimistic

Like most major shipbuilders are officially cautiously optimistic about what the next few years hold in store. Mitsubishi Heavy Industries (MHI), the leading shipbuilder, which in 1979 (through March 1980) had a profit of more than 22 percent, is forecasting even growth.

According to Takatoshi Hashimoto, director of the firm's shipping and steel structures division, MHI is now anticipating a demand to increase at a rate of 9 percent per annum through 1983, with orders for new ships expected to total 175 billion yen in fiscal 1981.

A resurgence of the shipbuilding industry in Japan — which the early 1960s has been the largest shipbuilding nation — has been a major source of command frustration for European leaders, who still find themselves in a serious slump. Through the first nine months of 1980, Japanese shipyards reportedly won

more than 80 percent of all export ship orders handled within the Organization for Economic Cooperation and Development (OECD), with the 12-nation Association of Western European Shipbuilders (AWES) taking the remainder.

Adding to worries of the European shipbuilding industry, nearly 75 percent of all new ship orders (8.5 million tons out of 11.3 million tons), including both export ships and domestic ships, reportedly went to Japanese shipyards during the same period. The Japanese Transport Ministry, concerned over mounting criticism from Europe, has argued that the gap is not so wide if local shipbuilders base their calculations on a compensated gross registered tonnage basis, as most of their European counterparts do.

The European industry — namely through AWES and the European Communities — is again, for the second time in five years, calling on Japan to curtail ship exports and to "bear a fair share of responsibilities in the face of the prolonged shipbuilding slump in Europe."

This time around, however, the Japanese industry is unlikely to comply as easily with European demands as it did in 1977, when it raised its ship prices by 5 percent, curbed exports to the Netherlands and West Germany, and curtailed production.

Officials from both government and industry have come out in defense of the industry's increased market share, pointing out, among other things, that a strong yen will make it more difficult for Japanese shipyards to win orders in the months ahead.

Further Concessions? A high-ranking Transport Ministry official recently stated that while Japan is sympathetic to the plight of European shipbuilders, it is unlikely that the Japanese shipbuilding industry will be able to make further concessions on the matter.

The clear implication of the new "get tough" policy is that European shipbuilders should follow Japan's example and make whatever sacrifices are necessary to improve their business situation — which translates into the reduction of both facilities and operations, if necessary.

Caught off guard by the world's first oil crisis in the autumn of 1973, Japanese shipbuilders, which had an annual output of 30 million gross tons, at that time 80 percent of which were tankers, felt the crunch perhaps more severely than any other nation.

Through joint government and industry planning, it was decided that if the industry were to survive, a major reorganization was necessary. Thus 61 shipbuilders were asked to curtail operations drastically. Toward the end of the decade, builders formed an anti-recession production cartel and attempted to institute measures such as a scrap-and-build program to stimulate new demand.

Major Consequence One of the major consequences of the slump and subsequent reorganization was that major builders were forced to diversify their



BEAUTY — A young girl in traditional garb strolls during festival in Japan.

total operations further and reduce the weight of their shipbuilding divisions. In the case of MHI, for example, shipbuilding sales as a percentage of total sales dropped from 37.3 percent in 1974 to 12.7 percent in 1979.

While the pre-1973 major builders are finally feeling the positive effects of curtailing production, the big winners of the reorganization have been the largest of the former medium-sized builders — firms such as Kurushima Dockyard, Tsunishi Shipbuilding and Imabari Shipbuilding — which have expanded their net production capacity and assigned work loads by absorbing smaller yards which either had declared bankruptcy or were financially unstable.

The net effect of such arrangements is an emerging new order for the Japanese shipbuilding industry and the erosion of the dominant market share of the traditional top seven firms, says Tait Raulcliffe, president of the Tokyo-based IBI Inc., which has done a number of in-depth studies of the industry. Adds Mr. Raulcliffe: "The level of competitiveness has been maintained by scrupulous attention to the development of new, labor-saving technologies and their prompt application to production."

The Kurushima Dockyard Group, formed in 1980 as a direct outgrowth of the government's anti-recession measures, has been the single largest beneficiary of the restructuring.

The group, which includes Kurushima Dockyard, Sasebo Heavy Industries and three smaller builders, had moved up from relative obscurity to the third spot in terms of assigned work load for the duration of the cartel, behind only MHI and Ishikawajima-Harima Heavy Industries.

Leading Banker Expresses Cautious Optimism for '81

TOKYO — Largely because of monetary policies taken last year in an effort to hold down wholesale commodity prices — as well as anticipated friction with the nation's major trading partners over growing exports in a number of key industries — Japan can expect slower economic growth in 1981 compared with last year. So stated Shuzo Muramoto, president of the Dai-ichi Kangyo Bank, one of the nation's leading commercial banks, in a recent interview.

"We are not pessimistic," Mr. Muramoto said, "but rather cautiously optimistic and envision slightly over 4 percent growth for the year." Among the reasons for his guarded optimism are an anticipated strong showing again in the capital equipment investment and export sectors, which in recent years have been two of the pillars of Japan's economic strength, coupled with the expectation that there will be no big increase in the price of oil in 1981.

Mr. Muramoto, a member of the U.S.-Japan Economic Relations Group (the so-called "wise men's group"), had praise for President Reagan's new economic course. "We admire Mr. Reagan's courage in cutting government expenses," he said. "We envy the U.S. to have such a courageous president."

More Time Required

He believes, however, that more time is required to evaluate the overall Reagan program, in particular how the new administration will fare in its dealings with Congress which, according to the bank official, "will make his programs realistic or unrealistic."

The issue of reducing government deficit spending is of particular importance to Japanese political and financial leaders as the national debt has now swelled to more than 66 trillion yen and is expected to increase further before any reversal can be effected. In recent years the Japanese government has been either unwilling or unable to make the difficult choice between a major cut in government expenses, which would first be felt by such politically sensitive sectors as public education and the already-tight social security, and a major tax increase, equally if not more dangerous politically.

Most high-ranking officials of both government and industry have taken the view that some form of taxation will be necessary if Japan is to ensure stable economic growth and reduce the huge budgetary deficit without cutting deeply into welfare programs. Increasingly, it appears as though some sort of value added or general consumption tax will eventually be implemented, although a time schedule is still not clear.

On the prospects for tax reform, Mr. Muramoto said: "If the expenses of our government continue to increase by 11 percent per annum through 1984, the government will have an annual deficit of 6.8 trillion yen on its hands. That is almost 10 percent of our general expenses, so some measure is necessary." One move would be to cut expenses, which, to date, he said, "our government has failed to do. That is why we admire Mr. Reagan and envy the American nation."

Another option is to implement a new tax. "That type of general consumption tax," he said, "if we translate it literally, has already failed to pass the Diet. So there must be some change in the way the idea is

proposed, but it would almost be the same tax." Mr. Muramoto believes that there is a chance for the tax measure to be effected from the start of fiscal 1982, although he anticipates a certain amount of resistance from both the opposition parties and the general public.

Concerning U.S.-Japanese trade relations during the next four years, the banking leader sees some problems ahead, which he hopes can be resolved through compromise or mutual agreement. According to Mr. Muramoto, the United States will most likely continue to call on Japan to make a greater contribution to its own national defense in addition to making "some contribution or compromise to defend U.S. industry."

On the defense issue, he said: "We don't think it is realistic for Japan (to assume a larger share of direct military-related expenses). It will be difficult to convince the Japanese nation of the necessity. There is a line that the Japanese government will try to come to, and that is, to increase the defense budget more than the increase of the whole budget. Any greater investment would be quite difficult."

Although he expects exports to continue strong throughout 1981, he cautioned that friction with major trading partners — namely, the United States and the nations of Western Europe — might have a dampening effect on certain industries.

Two Problem Areas

"That is one of the reasons why we cannot be too optimistic about the output of exports, especially in the auto industry," he said. Of the two major problem areas (growing auto and semiconductor exports), Mr. Muramoto said that they were basically the same, in that "almost all people in the world now recognize Japan as the best country where these products can be produced."

There are a number of points of difference, and that is one reason why he does not feel that the semiconductor issue will be as explosive, at least over the short run. Among the reasons he cited are that Japan is still importing a substantial quantity of semiconductors from the United States and that the Japanese semiconductor industry has already developed production facilities in Europe and

the United States, thus contributing to American and European employment.

Concerning the recent cancellation by China of plant import contracts, Mr. Muramoto expressed surprise. While not speculating on the overall effect the unilateral move by the Chinese might have

on Japanese-Chinese trade relations, the Dai-ichi Kangyo president, in a clear case of understatement, said that it "will not strengthen" relations. "Still," he said, "the fact that China is our big neighbor will remain in the future."

Mr. Muramoto, who is expected

to be named president of the Banker's Association this spring, said that the yen should remain strong. Concerning the Deutsche mark, he said: "We think that the Deutsche mark is suffering now, but we are cautiously optimistic that it will stabilize in the near future." — R.H.S.

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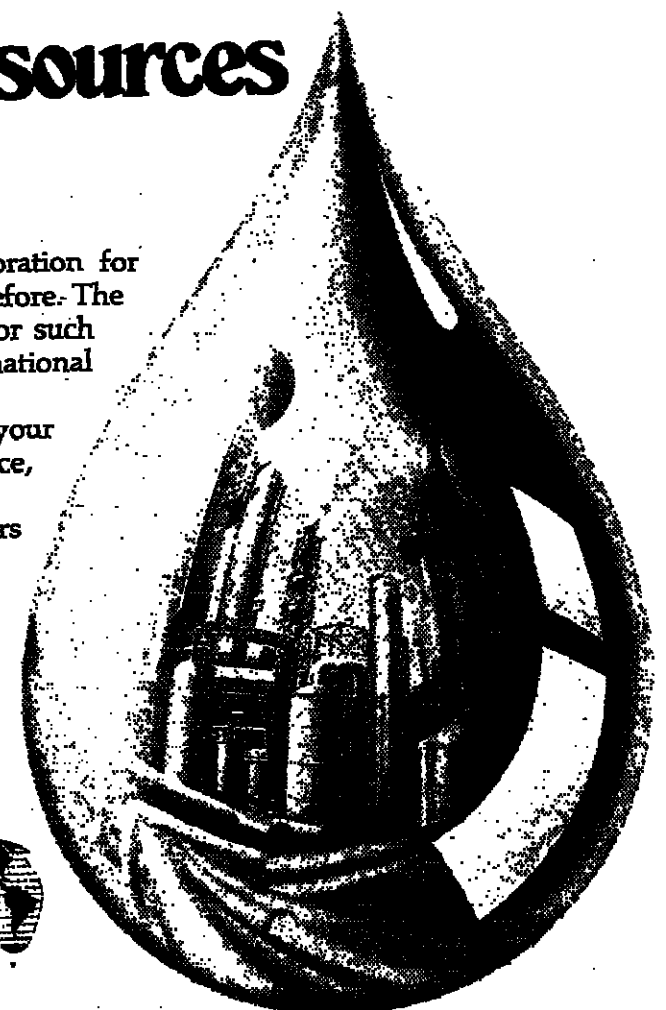
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JAPAN

Japanese Stocks: Investments By Foreigners Keeping Pace

PARIS — Foreign investment in Japanese stocks, which reached a record high last year, is expected to continue its growth in 1981, according to securities analysts.

After about four years as a net sellers' market for foreigners, reaching 144 billion yen in net foreign sales in 1979, net foreign purchases of Japanese stocks climbed to 835 billion yen last year, about 5 percent of Japan's total stock market transactions, say analysts at Nomura, one of Japan's securities houses.

Although the percentage of foreign investment is likely to remain unchanged, the amount of foreign purchases is expected to grow along with the market, they add.

Positive Factors

Japan's favorable economic situation and outlook compared with other industrialized countries, the liberalization of its foreign exchange and trade control laws, its growing stock market and the interest of petrodollar investors are all responsible for this increasing foreign activity.

Foreign purchases of Japanese stocks peaked last year in July, August and September because of the interest of Arab OPEC states, which accounted for about half of total foreign investment at that time, said an analyst at Nomura.

The hostage crisis in Iran and the freezing of Iranian assets by the United States, the Iran-Iraq War and the desire to diversify petrodollar investments away from the United States as well as the uncertain U.S. economic situation preceding the presidential election all contributed to Arab investment in Japan, he said.

Investment by Arab money managers themselves — in London, Switzerland and, to a more limited extent, in the United States, West Germany, France and the Netherlands — soon followed, he said.

U.K. and France

He noted that the largest investment institutions with Japanese portfolios are in France and Britain. "They have important Japanese sections and constantly send their people to Japan to study the market. U.S. money managers are not as acquainted with the Japanese market, although there are perhaps fewer restrictions in the United States for investment than in Europe," he said.

Because of the situation in Poland and the problems of the Deutsche mark and the West German economy, West German investment in Japanese stocks will

*Growth potential
and liberalized
policies help attract
international interest
to the market.*

probably increase this year, he predicted, adding that the French presidential elections and continuing economic problems will probably mean an increase in French investment as well.

Arab investment in Japan will continue, said one Arab banking official in Paris, "because of Japan's open investment policy, which is uncritical of Arab investment, and its economic outlook."

Said a French securities analyst, "the Japanese have adapted the quickest to the second oil shock. For fiscal year 1981 (starting on April 1), their GNP is expected to grow at more than 5 percent per year, inflation will fall below 5 percent, the balance of payments current deficit will probably decline by about a half and the yen will continue to climb."

Private Demand

According to Toshiaki Kamijo, executive director of the Nomura Research Institute in Tokyo, "economic recovery will be led by the strong momentum of autonomous private demand, i.e., consumption, stock-building and investment."

Corporate profits of top Japanese companies will continue their upward trend of the past three years, he said, because of "the improvement in the cost structure of Japanese companies, the increased contributions to earnings from new products and services based on newly developed technology and the sharpened international competitiveness of exports."

"The selection of stocks should be based on the positive search for fast-growing sectors and companies which are favorably placed to take advantage of new openings in technological innovation and advancement," said Mr. Kamijo.

Popular Firms

Among the products projected to grow the most rapidly in 1981, according to Nomura forecasts, are VTRs (video tape recorders) and VTR cameras and tapes, paper copiers, office computers, facsimile equipment, word processors, machine tools, industrial robots, ultrasonic tomographic (X-ray-like

diagnostic) systems, integrated circuits, light-emitting diodes, optical and carbon fibers, seamless pipe and second-generation antibiotics.

Securities analysts say high technology, life sciences and pharmaceuticals as well as high capital companies with a good financial status will continue to be the most attractive investments in Japan.

Among the Japanese companies most popular with foreign investors have been Hitachi, Sony, Nippon Electric, Nippon Steel, Sumitomo Metal, TDK, Ajinomoto, Takeda Chemical and Fujitsu-Fanuc.

"The Japanese stock market is not an 'accidental' market, where investors go in and out only when they find something interesting — it is becoming part of their regular portfolio," said an analyst at Nomura, which suggests a 15-20 percent proportion of yen in an internationally diversified portfolio.

The growth potential of the stock market in Japan is one of the reasons for foreign interest.

Actually, there are seven stock exchanges in Japan, although the Tokyo market, which accounts for about 85 percent of Japan's stock transactions, is by far the most important.

According to Nomura, the Japanese stock market is the second largest in the world, after New York. It has grown from 5 percent in 1970 to 14.9 percent in 1979 of the world's stock market capitalization and from 24.3 percent in 1970 to 31.6 percent in 1979 of the world's share turnover.

Top Securities Houses

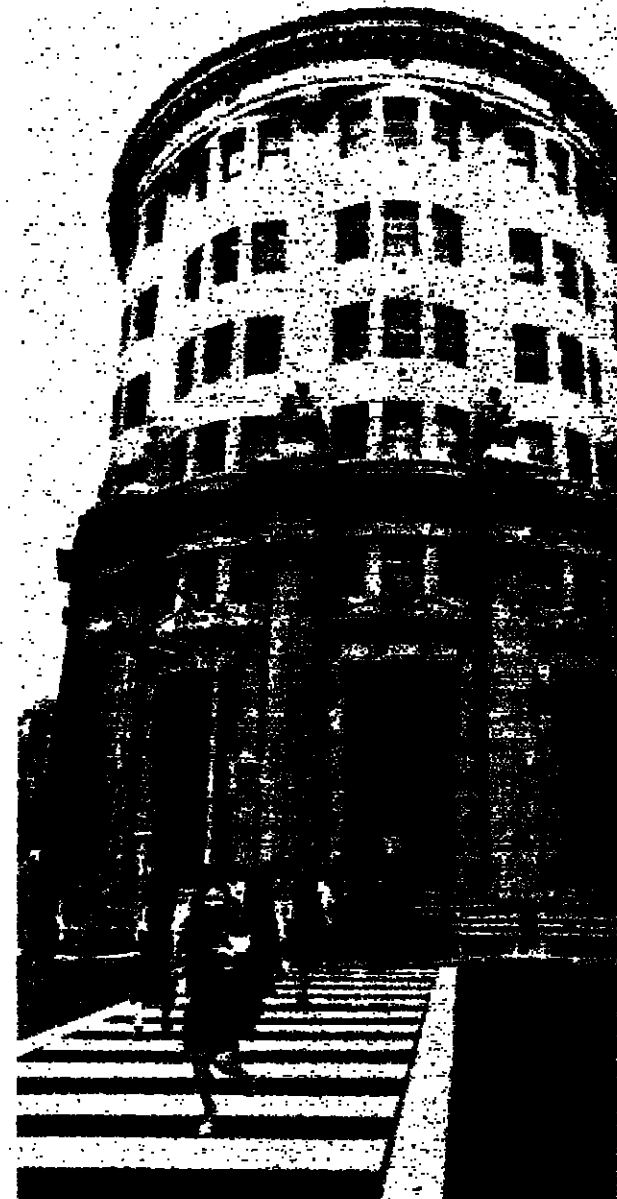
Nomura, along with Daiwa, Nikko and Yamauchi, are Japan's more important securities houses, accounting for about 50 percent of all stock market transactions.

Another reason for increasing foreign interest in Japanese stocks is Japan's liberalization of its investment policies.

Japan's restrictive policy concerning foreign investment dates from its post-World War II fear of foreign, particularly U.S., domination of its economy. This policy has become increasingly liberalized in the past decade.

Although the law restricted investment to 25 percent foreign ownership, prohibited convertibility of ordinary yen deposits and required special conditions for foreign currency and free yen deposits, exceptions were made on demand.

Last December, Japan amended



The Tokyo stock market.

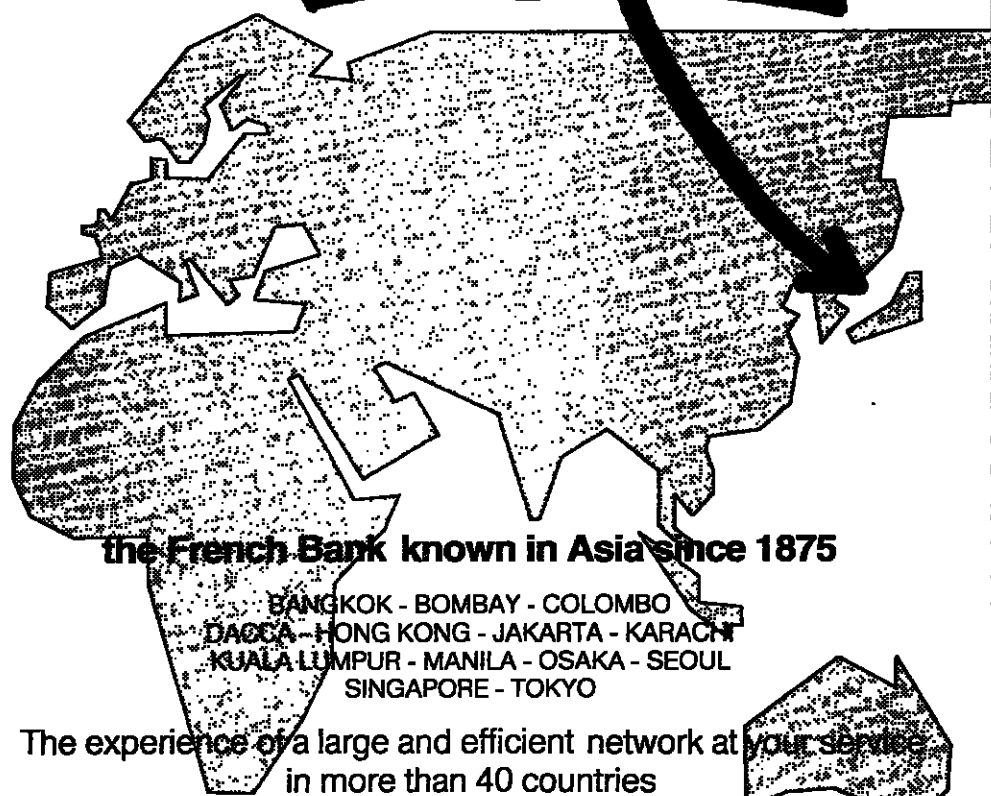
its foreign exchange control law to permit convertibility of all yen deposits, the opening of foreign currency deposits without conditions and up to 100 percent foreign investment of a company's shares without consent from the company's management — except for those companies that are "vital to the national security" and/or "smooth performance of the national economy."

While some skeptics are concerned that clauses prohibiting foreign investment in strategic areas will be used to restrict investment, other analysts see no cause for alarm. They say the amended law

merely makes Japan's

trend official. "Before, exceptions more than 25 percent investment were made on a case-by-case basis; now that won't be any more," said one stock broker. "But one financial institution has a restrictive policy used in the banking and field 'because Japan war control foreign operations that they not circumvent monetary and credit control in the fishing and pearl fisheries,' where economic interests are so strong."

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crowding Remains Problem

TKYO — Japan's most serious problem — and the one that is discussed — is overpopulation.

Japanese never really admit their country is overpopulated. The furthest they will go is to say "our country is narrow." Indeed, it is the "narrowness" or most "overpopulated" — of major industrialized countries, the problem is not so much that there are more than 115 million people. That total, equal to the combined populations of West Germany and Italy, represents more than half the number of Americans.

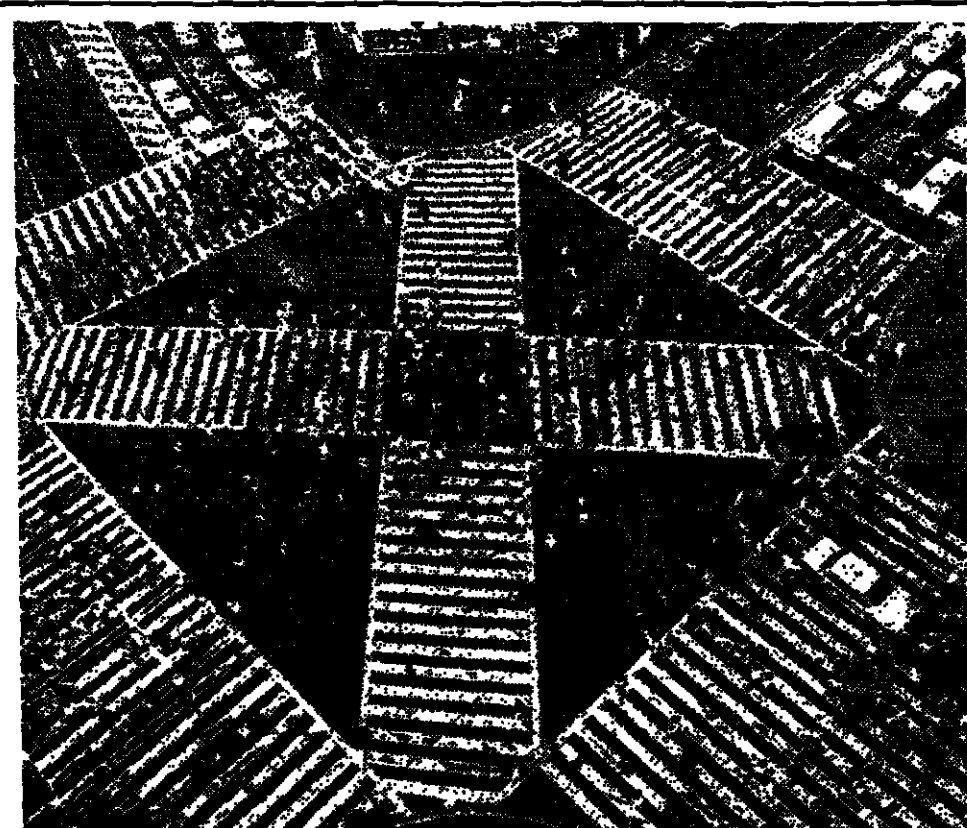
Another, the problem is that with 377,000 square kilometers, Japan is 20 percent larger than Italy, 30 percent smaller than the U.S. With 70 percent of Japan's land area mountainous and a small percentage devoted to farmland, three-quarters of Japan's urban population resides and works in less than 5 percent of the total land.

A String of Cities
Japan's vast, mountainous interior, therefore, is populated, while coastal plains bear the weight of a population density equalled only by the most industrialized districts of Europe and the United States. From Tokyo to the 4 to Osaka 400 miles to the west, Japan's largest industrial corridor — passing through the rearing sacred Mount Fuji — is one long string of cities.

Do wonder a recent first-time visitor called Japan "the biggest city in the world."

With the exception of the northern island of Hokkaido, Japan's countryside is the most heavily settled in the world. Although Japanese pride themselves on a "harmony with nature," they have installed far more concrete per square meter of their land than any other country on earth.

The Japanese countryside is an endless stream of shops and houses, an amazing jumble of cities of every size, shape and form. Even the once-lovely hills of the Tohoku (northeast) tiny valleys of remote Shizuoka Island are almost entirely filled by cement factories, chemical plants, gas stations and other creations of concrete. It is virtually no spot in Japan, not from Hokkaido, where one drives through the countryside about seeing at least one building in every direction.



PRIORITY — Pedestrians get the priority at this busy intersection in Tokyo.

The population crunch is thus more severe than in any other nation. No stretch of countryside in overcrowded Belgium or The Netherlands can compare with the overdeveloped plains of Japan. Even the mountain districts are dogged with as many buildings as human effort can provide.

The Japanese have reacted admirably to a crush that would likely oppress any other nationality. It helps, of course, that most of their buildings are of a size which other people would find unacceptable: their tiny homes, restaurants, and office buildings feature doors that are one-half narrower than those almost anywhere else. Foreigners seeking residence in Japan find it difficult to adjust to traditional Japanese housing, unless they relish hitting their heads on doorways, or enjoy tight spaces.

But the Japanese seem to bear it all well, even as their children grow taller and taller. Squeezed into tiny chairs at the local raw fish bar or pressed into a railway car whose dimensions would squeeze most Europeans, the Japanese seem comfortable at home and unlikely to complain.

One evidence of their adjustment is the low level of crime in Japan. If, as the old saw has it, overcrowding leads both rats and human beings to murder, Japan is the exception to the rule. There were only a few violent murders in Tokyo last year, despite the fact

the average family of four shares a living space roughly as large as the average European or American executive's office.

Farmland Disappearing
But the press of people is inevitably exacting its toll. While turning their tiny islands into the world's second largest industrial power, they have eaten away at the little agricultural land that remained. Once, there was a certain logic in that move; automobiles provide a much higher level of "value added" for Japan than would the equivalent agricultural output.

But Japan has become enormously dependent on imports of food; she is self-sufficient neither in production of soy beans, fish, nor meat. If Japan's population had been half its present level, or — more reasonably — one-third, the country could have enjoyed a relatively high level of industrialization while continuing to produce enough foodstuffs to prevent disaster in the event of cutoffs in international trade.

At the present level of population, in order to fuel its industrialization, Japan has become doubly dependent; she must import both vital raw materials for industrial production, and the food she eats. Thus, the high level of population prevents Japan from achieving true economic self-sufficiency.

In addition, the swell of people

makes it impossible for Japan to achieve the high standard of living common in such countries as West Germany, Switzerland and the United States. For although gross national product and per capita income figures now show Japan competing very well with those countries, they reveal nothing about the real "quality of life." Because of the population press, Japan's land prices are the highest in the world; a house that would be ordinary in the suburbs of Brussels or Stuttgart sells for more than half a million dollars in Tokyo. And land for recreational facilities is so scarce that even the wealthiest people have to forgo such pleasures as golf, tennis and swimming.

All this might have been avoided if the earliest modernizers of Japan had had the wisdom to realize their country's limitations. But they saw Japan playing a major role in the world, economically and militarily, and for that, it had to grow in population as rapidly as possible. Large families were the glory of the nation in the 19th century and during the Second World War.

Now, it is too late to repair the damage. Despite a rapidly declining birth rate, and evidence that many Japanese women are choosing to remain childless, Japan remains hopelessly overpopulated. Not even the promise of zero population growth, if achieved within two decades or so, can reverse the damage.

Street Life Makes Tokyo a Fascinating City

TKYO — It has none of the grand avenues of Paris, none of the piney woods of Rome, nor the ancient and picturesque winding streets of many European cities. But there are many seasoned world travelers who are convinced that Tokyo is one of the most fascinating, and most livable, of the world's great metropolises.

What Tokyo does have in abundance is street life. Tens of thousands of coffee shops, pachinko (pinball) parlors, bars, restaurants, theaters and other gathering spots, from which the occupants overflow into a great variety of neighborhoods, both antique and modern.

Perhaps because Japanese housing lags far behind that in the West, the people of this nation — when they are not working overtime to earn their reputation as "workaholics" — devote a great deal of passion and energy to enjoying themselves away from home. With insufficient space at home to entertain guests — except the closest of relatives — parties and celebrations are almost always held at neutral spots throughout the city.

While the teeming masses that fill Tokyo's streets are a shock for many visitors, they are clearly among the best-behaved in the world. Polite to the extreme (except in the immaculate subway, where they are known to push in the rush hour), the Japanese are among the world's most law-abiding citizens.

Thus, the visitor who finds himself in a large outdoor crowd at 2 o'clock in the morning or alone on a dark alley at 4 a.m. cannot have any rational expectation that he will be molested.

For most visitors, Tokyo offers more complex and more unpredictable perils: an extremely complex geography, and an almost unfathomable (at first) language. Nominally one city, Tokyo is divided into 23 municipalities, and further subdivisions or districts, and, finally, subdivided into blocks numbered in a uniquely Japanese manner.

Signs in English

Only a very tiny percentage of Tokyo's tens of thousands of streets have a "name" in the Western sense, and even those are often ignored by the residents. Thus, finding an address in the world's largest city can require a great effort, even for the local resident. Since few first-time visitors to Tokyo come equipped with more than a rudimentary knowledge of the Japanese language, getting around by oneself can be even more difficult.

The large number of English signs on buildings and advertise-

ments project a misleading image of a truly cosmopolitan world capital. In fact, only a tiny fraction of Tokyoites are fluent in English (the most widely spoken of foreign languages.) And many of those people are high-level bureaucrats who limit themselves to the back seat of a chauffeur-driven limousine.

Yet seeing Tokyo for the first time, albeit superficially, in a few days — is not difficult. The secret is to do it the Japanese way — in a group. Just as Japanese tourists travel in groups when they go overseas — because they are afraid they will be unable to communicate with the neighbors — foreigners making their first trip to Tokyo can spend an enjoyable few days looking at the sights from a modern bus, with an English-speaking guide.

Especially if they visit the ancient Japanese capitals of Nara and Kyoto — absolute musts on a visit to Japan — tourists returning from Japan are unlikely to remember details of their visit to Tokyo's few "tourist attractions": the Asakusa Kannon Temple (a Buddhist sanctuary flanked by an imposing

The teeming masses that fill Tokyo's streets are... clearly among the best-behaved in the world.

row of ancient shops), the Tokyo Tower (an obvious imitation of the Eiffel Tower), the Meiji Shrine (an ordinary example of Japanese Shinto architecture), or the Imperial Palace (which pales before Kyoto's equivalents because it is impossible to enter any of the buildings.)

Lively Street Life

What they will remember, however, is the lively life of the contrasting neighborhoods: the polished, super-smooth Ginza; the elegant Akasaka; the raucous, untrained Shinjuku; the vulgar Ueno.

If tourism, at its best, aims at fostering an appreciation of another culture and way of life — rather than presenting a parade of monuments — Tokyo is one of the best and most easily visited destinations. For it is impossible for anyone but the most unperceptive visitor to return from Tokyo convinced of the old saw that "all big cities are alike." In its unique blend of energy and restrained decency, Tokyo is like no other city on earth.

For years, tales have been float-

ing around that Tokyo is the most expensive city on any continent.

Statistics compiled by the United Nations, the U.S. Department of State and other agencies seem to support the idea. Dinners at \$100 and hotel rooms at \$150 are the norm, to hear many a traveler.

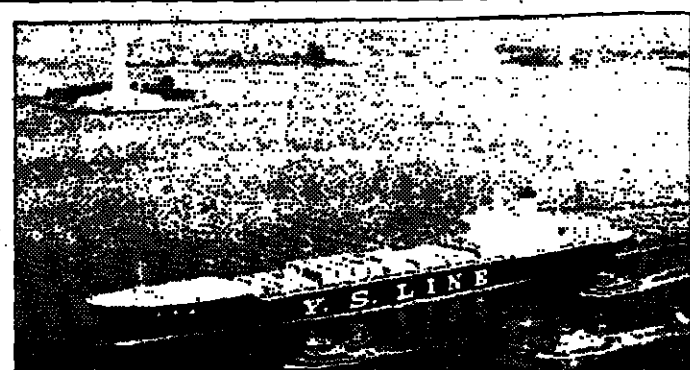
Thus, many a tourist never makes the trip. Actually, many hotels do charge over \$100 a night, and many restaurants are expensive. But if the tourist takes the time to learn a few words of Japanese, he can

find, admittedly with some effort, numerous cheap hotels and restaurants throughout the city.

The trick is to seek out the places where the Japanese traveler himself stays and eats. This will mean adjusting to hotel rooms that are much smaller than equivalents in Europe or the United States, and to meals that are often strange to the tourist's palate.

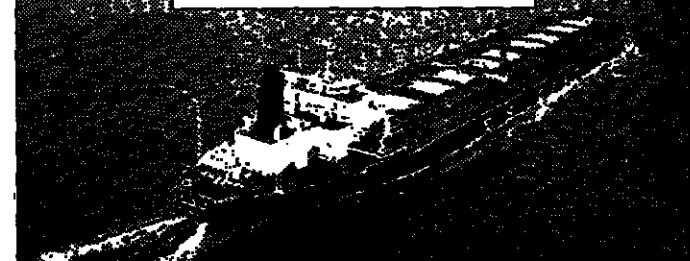
Going native will not only save the visitor a great deal of money, but fully immerse him in the city.

— F.A.



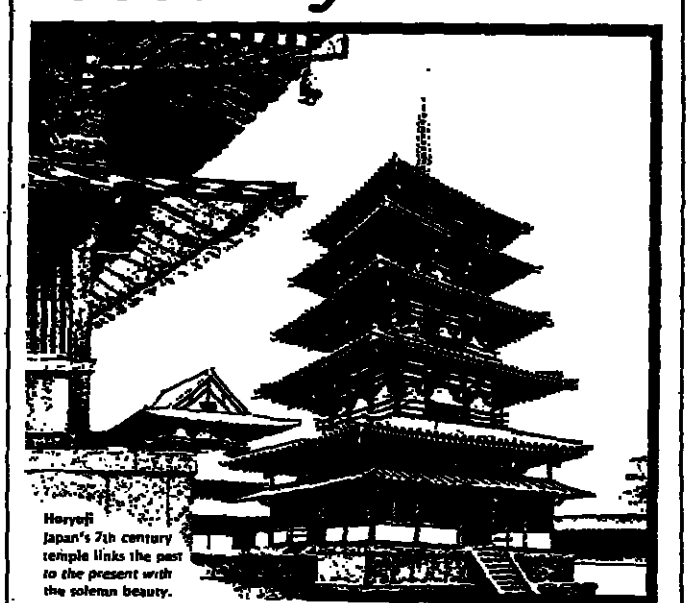
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Ford, Strong Overseas, Seeks Import Curbs

By John Holusha

New York Times Service

DETROIT — Ford Motor Co., which has long overshadowed its archrival, General Motors, with the success of its international operations, has been, almost paradoxically, a leader in Detroit's recent lobbying for restrictions on Japanese auto imports.

And its efforts come as company officials are deciding whether to shift more of their own production and assembly overseas to seek cost advantages.

As recently as September, 1977, Ford's former chairman, Henry Ford 2d, confidently declared, "We will push them back to the shores," when asked about imports. But lately, Ford officials

have been pressing for a halving of imports for the next five years. The reason for the company's demand for protection, which could invite restrictions on its own overseas shipments, is, according to industry analysts, that it is especially vulnerable to imports.

While General Motors was rushing development of its front-wheel-drive "X" cars and Chrysler its "K" cars, Ford was emphasizing its larger, more profitable models. As a result, when public tastes abruptly switched to advanced-design, fuel-efficient cars, when Iranian oil was cut off in 1979, Ford was left largely with old-fashioned cars.

"Ford has a two-year hole in its product lineup," said Harvey Heimbach, an automobile analyst

with Merrill Lynch. He said the rear-wheel-drive Ford Fairmont-Mercury Zephyr series of cars, which compete with the "X" and "K" cars in the lucrative midsize market, were not due for replacement until well into the 1983 model year.

Because of its product problems, Ford has lost a disproportionate share of the market to imports, most of them Japanese. While GM was holding on to 46 percent, Ford's share last year dropped to 16.5 percent from its customary 22 to 23 percent.

As the company's annual report, issued Friday, amply illustrates, slumping sales quickly resulted in financial losses. According to the report, Ford had a worldwide pre-tax loss of \$2.27 billion. Credits for taxes paid in the past reduced the loss to \$1.5 billion, still the second largest in American corporate history after Chrysler's \$1.7 billion loss for 1980.

In North America alone, the after-tax loss amounted to \$2.1 billion. In recent interviews published in the Detroit newspapers, Ford's president, Donald E. Petersen, said the company was permanently shrunken in North America and would probably not regain more than 20 percent of the market.

In addition, federal financial aid to Chrysler, coupled with the wage concessions granted it by the United Automobile Workers union, has increased the pressure on Ford. "Ford is caught in a squeeze between GM, which has the financial strength to weather the current slump, and Chrysler, the beneficiary of federal assistance," The Detroit News said.

Nevertheless, virtually no one considers Ford "another Chrysler." Most analysts point out that the company has \$3 billion to \$4 billion in financial reserves on which it can draw, if necessary. But they, and the company, agree that the only real solution is to sell more cars, a task that would be greatly eased if fewer imports were entering the market.

"If we assume that sales will improve by 1982, as most people expect, Ford should be OK," Mr. Heimbach said. "If they don't see the light by then, I'll be concerned."

But even if the overall market improves, Ford, along with the rest of the domestic industry, must cope with a cost disadvantage estimated by former Transportation Secretary Neil E. Goldschmidt at \$1,000 to \$1,500 a car compared with the Japanese.

If imports are restrained, prices would likely rise, easing Ford's cost disadvantage as it retails to produce more competitive cars. But if imports are not curbed, Ford, with its large, cost-competitive overseas operations, has the option of producing more vehicles outside the United States and shipping back into this market.

"These are bet-your-company decisions for Ford, and to a lesser extent GM," said a well-placed industry analyst. "They have to make tough decisions for the '83 and '84 models within the next few months, and they'll have to live with the results for years."

In his published interview, Mr. Petersen stated Ford's position starkly. Unless imports are cut, he said, "I think it should be pretty apparent that there will tend to be progressively more decisions to out-source components, to out-source whole automobiles if necessary."

Mr. Petersen added, "We cannot continue to spend billions on programs that make no money," an apparent reference to the company's Ford Escort-Mercury Lynx line, which has been a sales success, but which company officials say has yet to earn a profit.

Ford's major plants in Britain, West Germany, Spain and South America earned a profit of \$475 million last year, despite a sales slump in Europe. Analysts say that Ford's operations are cost-competitive in the partially sheltered European and Latin American markets.



Henry Ford 2d
"push them back to the shores"

News of Polish Default Comes As Aid Talks Prepare to Open

(Continued from Page 17)

tions with Poland that some bankers are expressing doubts about its motivations.

In effect, they fear that the Soviet Union is setting them up as the villains in Poland's deepening economic calamity by putting them in the position of cutting off its access to Western imports.

Ever since Western bank lending to the East bloc picked up momentum in the early 1970s, analysts have been divided over the implications of the trend. Some said it was a self-sustaining process while others argued it carried the seeds of its own collapse.

Proponents of the policy argued that it represented an irreversible

process of growing interdependence, which was backed up by the huge mineral resources of the Soviet Union. In an emergency, it was believed, Moscow would bail out any ally who got overextended.

Others said the lending had a liberalizing impact on Eastern Europe that was beyond the control of the Soviet Union. They predicted collapse on the day when Western banks, presenting the ugly face of capitalism, would be forced to demand repayment from overextended debtors. The banks, then, would drive Eastern Europe back into the protecting embrace of the Soviet Union.

The suspicion that this is what is happening is by no means universally shared by bankers. "I fail to see the logic of how Poland's actions fit this scenario," said another New York banker who admitted to having heard the same suspicion about a "choreographed default."

This talk emerged last week as U.S. bankers met in New York to discuss their approach to Poland's request to meet again in London on Tuesday. That meeting — now apparently academic in its main mission — was scheduled as a follow-up to Poland's month-old request for an immediate \$1 billion loan to tide it over its cash crisis.

The U.S. banks have appointed 11 institutions to represent them in the talks (basically the 10 largest banks minus Continental Illinois and Security Pacific but including Irving Trust and Marine Midland plus First Wisconsin representing the smaller, regional banks). Bank of America and Citicorp were named to head the team.

Attendance Uncertain

But the West German and French banking communities were either unwilling or unable to appoint representatives to this "task force," and they were unable to say which or how many banks would show up for the meeting. The French banks were arguing that they were unwilling to consider making further unguaranteed loans, and the West Germans were insisting that negotiations be conducted by the Poles with each national group of lenders rather than on a global basis.

At this point, the banks are nervously looking over their shoulders to make sure that no bank or group of banks succeeds in reducing its outstanding lending to Poland at the expense of the other non-guaranteed creditors.

In fact, Poland has repaid banks

about \$530 million due in the first three months of 1981. They are owed a total of \$1.1 billion during all of 1981. German banks at the top (\$678 million), followed by American (\$575 million), British (\$378 million), Austrian (\$303 million), Italian (\$195 million), Belgian (\$195 million), Dutch (\$129 million), Swiss (\$107 million), and Canadian (\$95 million) and Canadian (\$95 million).

The banks are expected to meet in London on Tuesday, but they are expected to be in a state of tension because there are few assets of Poland's easily attached, and it is an agreement among governments on the debt owed them that is being discussed. The banks are expected to be in a state of tension because there are few assets of Poland's easily attached, and it is an agreement among governments on the debt owed them that is being discussed.

The official debt, sources report, would be scheduled for relatively easy — nine months or 11 — to be renewed on condition that the Soviet Union has no Poland and that the Poles report that European on a specific working on an invasion has been the it is reported that the Solidarity is a absolute continuing the rescue.

What remains unclear is the debt is rescheduled, supply the "new" money will need to maintain the recent study by Prof. Portes written for the R. tute of International A. mated that Poland would additional \$12-to-\$15 new finance over 1981-2 to avoid any further but duced declines in output and to permit the ment of a tolerable in external equilibrium. To hear the bankers amount will not be cor them. And the word the conscious Washington money will have to a Western Europe.

Interest-Rate Volatility Cuts Short Another Rally

(Continued from Page 17)

long-term issues. It said the average yield to maturity on seasoned issues with up to five years to run increased to 14.04 percent at week's end from 13.7 percent a week earlier and to 13.67 from 13.47 percent on bonds with up to 15 years to run.

From Tokyo, Reuters reported that Caterpillar Mitsubishi, a joint U.S.-Japan tractor venture, plans to place privately a \$15 million yen-linked straight bond this month in the Midwest market. Reuters reported that the 7½-year issue is expected to be priced at par bearing a coupon of 8½ percent. The bond is to be linked to the yen, whose exchange rate to the dollar will be fixed at the issue time for repayment.

Two Japanese companies, Ajinomoto and Marubeni are planning to sell shares on the European market through the issuance of European depositary receipts. Ajinomoto is expected to sell about \$10 million worth of common shares and Marubeni \$25 million worth. The Marubeni EDRs are expected to be offered at about a 5 percent discount from the prevailing Tokyo price, bankers report.

In the other market sectors: Privatbanken, legally unable to issue capital notes at a discount, was forced to increase the coupon it offered on its £12 million of seven-year notes to 14½ percent from the initially indicated 14 percent. The notes were sold at a premium of 100%, reducing the yield to 14.44 percent. To arrive at the same yield while holding the coupon unchanged, the bank would have been obliged to sell them at a discount of 99%.

Currently on offer is a £25 million, five-year note for Hiram Walker Holdings bearing an indicated coupon of 14 percent. The notes will be guaranteed by Walker Home Oil, a Canadian holding company that accounts for the energy and whiskey operations of the Hiram Walker group.

In the French franc sector, Swedish Export Credit Corp. increased the size of its five-year issue to 250 million francs from the initially indicated 200 million francs and cut the coupon to 14 percent from the indicated 14½ percent. The notes ended the week at 98½ after having been priced at par on Monday.

State-owned Air France is currently in the market, offering 200

million francs of five-year paper bearing a coupon of 14½ percent.

The first issue denominated in new European currency units (ECUs) was issued for Sofie, the Luxembourg holding company of the Italian state-owned telecommunications company STET. The six-year issue of 25 million ECUs was sold at par bearing an annual coupon of 13 percent.

To keep a tight grip on the after-market performance of this issue, lead manager Kreditbank will serve as clearing house for all trading until June. This will permit it to see who is trading at what prices and should therefore inhibit underwriters from any temptation to dump the issue.

In the Deutsche mark sector, prices declined in the wake of rising fears of a Soviet intervention in Poland. In the domestic market, the federal government announced plans to issue 1.5 billion DM of eight-year paper bearing a coupon of 10 percent. An issue price of 101¼ will cut the yield to 9.77 percent.

The Asian Development Bank sold its 100 million DM of 10-year bonds bearing a coupon of 10 percent at a premium of 100%, cutting the yield to 9.92 percent. The bonds opened trading at 100¼.

In related news, Ross & Partners announced over the weekend that Drexel Burnham Lambert has acquired for cash the entire share capital of Ross & Partners (Securities). As a wholly owned subsidiary of the Drexel Burnham Lambert group, Ross & Partners, whose aggressive trading strategy is a steady source of controversy within the dealing community, will continue its trading under its own name. Stanley Ross continues as chief executive officer and Roger Josep of Drexel Burnham becomes chairman.

Eurobond Yields*
Week Ended March 25
(U.S. Dollars)
International institutions 13.82 %
Industrials, long term 13.58 %
Industrials, medium term 14.32 %
Canadian dollars, medium term 13.66 %
French fr. medium term 14.45 %
Unit of acc. long term 10.61 %
* Calculated by Lazard Freres & Co.

Market Turnover
Week Ended March 27
(Millions of U.S. Dollars)
Total 2,107.0
Code 1,516.8
Eurod. 4,746.4, 4,161.9 584.5

Rescue Plan for Thrifts Proposed

Los Angeles Times Service

WASHINGTON — The Federal Home Loan Bank Board will consider allowing savings and loan associations to sell their old low-interest mortgages through a complex transaction providing tax shelters for investors, John H. Dalton, outgoing chairman of the bank's board, said Friday.

The proposal by Mr. Dalton, a Democrat, came as a surprise to the Department of the Treasury, which could lose considerable amounts of tax revenue if the suggestion becomes a reality. The incoming Republican chairman, Richard Pratt, has not commented on Mr. Dalton's idea.

The proposal Mr. Dalton discussed in a speech in Boston Friday would work this way: An S and L would form a partnership with some inve

tributing old mortgage low-interest rates. The would put up cash. The would be sold by the S and L at a loss, with the investor's loss as a deduction from the savings and loan's income.

Then the partnership's cash — the money by the investors and the sale of the old — for new activities. It new mortgages at current rates, acting just like a bank or other lender. A would be split between the loan and the investment in the partnership.

The proposal would approval from the H. Bank Board.

BAKHRABAD GAS SYSTEMS LIMITED (AN ENTERPRISE OF PETROBANGLA)

INVITATION FOR PRE-QUALIFICATION OF
BAKHRABAD-CHITTAGONG GAS PIPE LINE
CONSTRUCTION CONTRACT
— CLOSING DATE EXTENSION —

This is to notify potential bidders that the closing date for the pre-qualification of Bakhrabad-Chittagong Gas Pipe Line Construction contract, issued on February 5, 1981, has been extended to April 6, 1981.

These documents were available from selected embassies of Bangladesh in Bonn, Brussels, London, Ottawa, Paris, Rome, Singapore, Tokyo and Washington D.C.

MATERIAL ENQUIRY FOR STEEL LINE PIPE

This is to notify potential bidders that with respect to the enquiry for Steel Line Pipe, issued on February 19, 1981 in Dacca, Bangladesh, that the closing date for submission of tenders has been extended to April 9, 1981.

BAKHRABAD GAS SYSTEMS LIMITED
Head Office, P.O. Box 97
Comilla, Bangladesh.
Telex: PETRODAG 725-DACCA.

LIASON OFFICE

House N° 539 B,
Road 28 old, 15 new, Dhanmondi Residential area,
Dacca 5, Bangladesh.



Bank der Bondsspaarbanken N.V.

Amsterdam

Dfls 75,000,000 11¼% Bonds 1981 due 1982/1991

Bank der Bondsspaarbanken N.V.

Bank Brussel Lambert NV

Caisse des Dépôts et Consignations

Swiss Bank Corporation International Ltd

Westdeutsche Landesbank Girozentrale

This announcement appears as a matter of record only.

March, 1981

These securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

MARCH, 1981



Ito-Yokado Co., Ltd.

Aggregate face amount on issue:

U.S.\$25,000,000

6⅞ per cent.

Currency Linked/U.S. Dollar

Payable Convertible Bonds Due 1991

Issue Price U.S.\$1,000 per Bond

Kuwait Investment Company (S.A.K.)

Nomura Europe N.V.

Goldman Sachs International Corp.

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

National Bank of Abu Dhabi

This advertisement is neither an offer to sell nor a solicitation of an offer to buy these securities, but appears as a matter of record only.



1,500,000 Shares

American Medical International, Inc.

Common Stock
(\$1.00 par value)

Dean Witter Reynolds Inc.

Goldman, Sachs & Co.

Warburg Paribas Becker
A. G. BeckerBache Halsey Stuart Shields
Incorporated

The First Boston Corporation

Bear, Stearns &

Blyth Eastman Paine Webber
Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenr

Drexel Burnham Lambert
Incorporated

E. F. Hutton & Company Inc.

Kidder, Peabody &

Lazard Freres & Co.

Lehman Brothers Kuhn L

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Moseley, Hallgarten, Estabrook & Weeden

L. F. Rothschild, Unterberg, Towbin

Saloman Brothers

Shearson Loeb Rhoades

Smith Barney, Harris Upham & Co.
IncorporatedAtlantic Capital
Corporation

Wertheim & Co.,

ABD Securities Corporation

EuroPartners Securities Corporation

Basle Securities Corporat

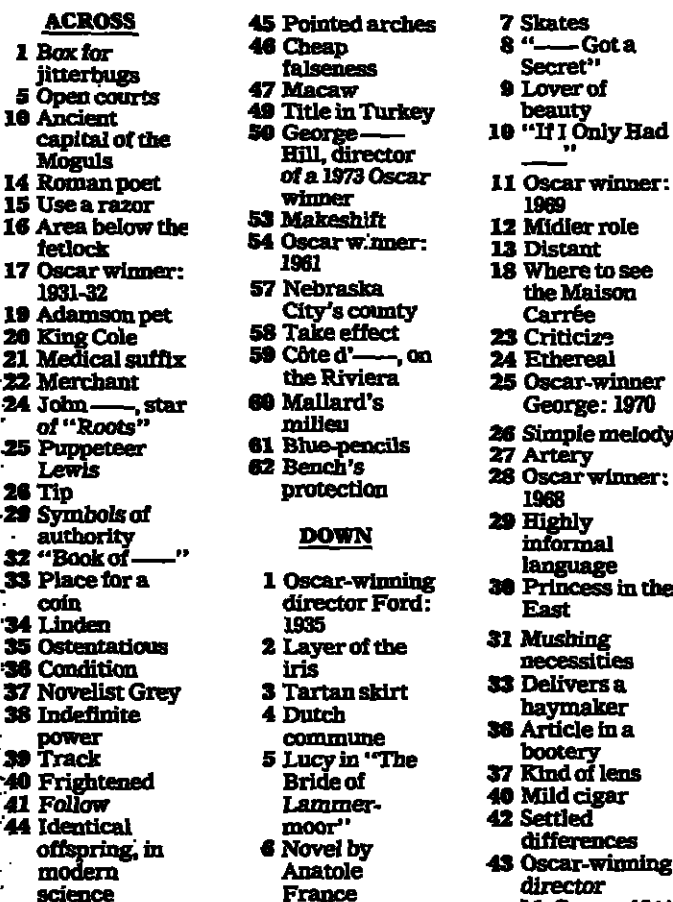
Kleinwort, Benson
Incorporated

New Court Securities Corporat

Robert Flem
Incorporated

March 30, 1981

By Eugene T. Maleska



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A B I S A R S I S H O S T
V O R T S E E T O A B L Y
L A N A S C R U B P O U R
W I N C H O P P E R
J I E M R A S
T P E T S I S I N S E T
A C L U M I S T E R C R U
H E A P I N S T E A S P O O N
A M N C O M A N T L O D E
B I T T E S R O J E T E
E R R T A R A
S E A S O N T O T A S T E
L E S S W A N P O A E R O
A M T E A G A I N M A I L
O D E R N A N C Y T H S E

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HIGH			LOW			HIGH			LOW		
City	C	F	City	C	F	City	C	F	City	C	F
ALGONQUÉ	16	11	35	Stowers	10	LOS ANGELES	17	12	34	Cloudy	
ANKARA	14	11	30	Rain		MADRID	17	13	7	45	Showers
ANKARA	14	11	31	Rain		MARILIA	13	11	22	72	Cloudy
ANTWERP	22	12	28	Cloudy		MEXICO CITY	16	11	22	72	Cloudy
AUCKLAND	22	12	24	Fair		MIAMI	26	17	22	72	Cloudy
BANGKOK	23	15	21	Foggy		MILAN	16	11	23	74	Foggy
BIRMINGHAM	17	14	10	Fair		MONTREAL	19	12	34	Cloudy	
BELGRADE	17	13	4	39	Cloudy	MOSCOW	8	22	7	39	Cloudy
BELLEVILLE	9	44	15	37	Cloudy	MURMICH	16	11	21	74	Overcast
BREITENBURG	17	13	11	31	Cloudy	NAGASAKI	19	12	54	Overcast	
BUCHAREST	18	14	3	37	Overcast	NEW DELHI	33	11	14	44	Cloudy
BUDAPEST	18	14	3	37	Overcast	NEW YORK	18	11	44	Cloudy	
BUEENOS AIRES	26	17	13	35	Foggy	OSAKA	17	12	34	Cloudy	
CAIRO	26	16	10	30	Fair	OSLO	4	39	3	37	Cloudy
CALCUTTA	26	16	10	30	Fair	PARIS	20	18	11	52	Cloudy
CHICAGO	26	18	12	54	Showers	PRAGUE	13	12	34	Cloudy	
COPENHAGEN	5	41	14	31	Cloudy	PRAGUE	13	12	34	Fair	
COURMAYEUR	17	13	37	Overcast		RIO DE JANEIRO	18	11	23	73	Overcast
DUBLIN	13	15	7	45	Foggy	ROHATOUK	17	12	34	Cloudy	
EDINBURGH	17	17	8	42	Cloudy	SAO PAULO	18	11	14	64	Foggy
FLORENCE	18	14	9	36	Overcast	SAO PAULO	14	17	4	44	Overcast
FRANKFURT	18	14	9	36	Overcast	SEATTLE	17	12	34	Cloudy	
GOSWART	17	13	37	Overcast		STOCKHOLM	3	37	3	37	Fair
HELSINKI	2	36	11	33	Overcast	STOMY	2	37	37	Cloudy	
H.K. HIGH CITY	23	12	24	Cloudy		TOKYO	17	12	34	Cloudy	
HONG KONG	23	12	24	Cloudy		TEHRAN	17	12	34	Cloudy	
HONOLULU	26	17	14	37	Merry	TEL AVIV	17	12	34	Cloudy	
HOUSTON	26	17	14	37	Merry	TOKYO	14	17	45	Foggy	
ISTANBUL	14	17	7	45	Overcast	VIENNA	17	12	34	Cloudy	
JAKARTA	18	14	9	39	Fair	VIENNA	17	12	34	Cloudy	
JERUSALEM	18	14	9	39	Fair	WASHINGTON	16	11	49	Cloudy	
KANSAS CITY	26	17	14	37	Merry	WASHINGTON	16	11	49	Cloudy	
LA PALMERA	25	17	14	41	Cloudy	WARSAW	6	43	2	45	Foggy
LIMA	23	13	16	39	Fair	WASHINGTON	5	27	25	73	Cloudy
LIVERPOOL	17	13	37	Overcast		ZURICH	17	13	7	45	Foggy
LONDON	13	15	10	30	Rain						

Readings from the nearest 24 hours.

[illegible][illegible]

DERBY, England — Evan Rutherford, a lecturer in general studies at the Lonsdale College of Further Education, says he is going to resign because he is overpaid for teaching boring courses.

Dr. Rutherford, a graduate of Cambridge, says most of his students are bored by his courses, which include "How to Buy a House" and "How Trade Unions Work."

"I can't say I blame them," he said. "I am ridiculously overpaid and teach absolutely nothing." He plans to earn his living making pottery.


WELL, YOU STARTED IT

3-30

RANGL
 JECET
 HYRITT
 GOTFER

WHAT HE WAS
 DREAMING OF
 PUTTING ON.

Now arrange the circled letters to form the surprise answer, as suggested by the above cryptic.

Print answer here:  [Answers tomorrow]

Saturday's | Jumbles: BRINY VIRUS LOUNGE CENSUS
Answer: "As beginners, they appear to have no bad habits."—"NO-VICES"

Imprimé par P.I.O. - 1, Boulevard Ney, 75018 Paris

THE WHITE HOTEL

Reviewed by Christopher Lehmann-Haupt

It is easy to get into this strange and very beautiful new novel by the English poet D.M. Thomas. He does not so much get into it, as begins with an imaginary exchange of letters between Sigmund Freud and several of his colleagues. We are immediately interested because, aside from their extreme documentary plausibility, they discuss an unusual journal written by one of Freud's patients — a "normally shy and prudish girl" in the throes of "a severe sexual hysteria" — which has strengthened Freud's "conviction that I am on the right lines in positing a death instinct, as powerful in its own way (though more hidden) as the libidinal instinct," given him "the right to" after its author visits a health spa called Bad Gastein, is, according to Freud, "as if Venus looked in her mirror and saw the face of Medusa."

The next section of the novel, called "Don Giovanni," ostensibly because its lines were written by the girl between the staves of the score of the Mozart opera, consists of a long narrative of the "sexual, emotional, linguistic, and pornographic language" a free affair carried on at a resort, referred to as the "white hotel" between the narrator and Freud's son. Apparently this poem is part of the journal referred to in the earlier correspondence, a suspicion that is confirmed by the section that follows, called "The Gastein Journal," which elaborates in prose the muffled surreal events of the poem.

The next section, called "Frau Anna G.," begins: "In the autumn of 1919 I was asked by a doctor of my acquaintance to examine a young lady who had been suffering for the past several years from a chronic ailment in her left breast and pelvic region, as well as a chronic respiratory condition." Frau Anna G. is, of course, the author of "The Gastein Journal," or rather Freud's invented name for her. In perfect mimicry of an actual Freud case history, the novel then describes how Freud, by combining the contents of "The Gastein Journal" with Anna G.'s recollections of her life, was finally able to get to the bottom of her hysterical symptoms.

Christopher Lehmann-Haupt is on the staff of *The New York Times*.

India Population

At 684 Million

homosexual impulses, a longing for the oceanic feelings of being in her mother's womb and a deathly fear of bearing children." It remained unexplained why the woman took the left side of the body to Freud, concluding, "No analysis is ever complete; the hysterics have more roots than trees."

This brings us to the halfway point of *"The White Hotel"* and completes the background of its heroine, who turns out to be in fictional actuality a half-Jewish, half-Polish opera singer named Lisa Erdman. The final three chapters of the novel place before us an omniscient viewpoint the remainder of Lisa's life — her modest success in opera, her further correspondence with Freud, her move to Kiev to marry a Russian-Jewish baritone named Victor Berenstein, and her eventual execution alongside Victor's young son in a Kiev ravine called Babi Yar.

It is a novel of great value, not only to illuminate and apotheosize Lisa's tragic history. To begin with, we have come to know so well the symbolic

United Press International

NEW DELHI — The results of 1981 census confirm that the population experts say is a different rate of population growth.

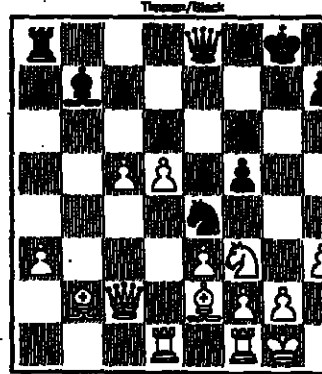
The census results indicate that population has doubled to 684 million in the last 30 years, meaning now has 15 percent of the world population and only 3 percent available land.

The growth rate, which had been slowing down dropped to 1.5 percent during Prime Minister Indira Gandhi's 1975-1977 emergency when sterilizations were forced on unwilling Indians, in fact has closer to 2.2 percent, according to demographers.

The government hopes to reduce the growth rate to 1.5 percent over the next decade but some experts it could increase to as high as 2.4 percent. At that rate, it is estimated, the country's population will double again by the year 2000.

By Robert By

MAX EUWE once said of the man with whom he split two world championship matches: "Even if there are a thousand general reasons for rejecting a move, Alekhine is always ready to consider it."



Position after 18 PXP

That is what Jan Timman, a Dutch grandmaster, did in his victory over Anthony Miles, a British grandmaster, in the 12th round of the Hoogoven International Tournament in Wijk-aan-Zee, the Netherlands.

In the Miles-Timmanov game from the first round, Black got a satisfactory position by 7... 0-0: 8 P-K3, P-B4; 9 PxP, PxP; 10 P-QN4, N-PK5; 11 Q-B2, P-P4; 12 PxP, P-QR4, but Timman evidently thought that White's play could be strengthened and did not copy this line.

Timman hurried with 10 ... N/2-B3! (in place of 10 ... 0-0) so that he could threaten 11 ... N-N5! His idea was that after 12 P-R3, White's knight on N3 would be slightly weakened and this means that after 13 ... P-N4 14 N/A-B3, Miles could not well allow the knight from its outpost by 15 N-K1, Q-K1; 16 P-B3 because of 16 ... N-N6. Thus, Miles was denied the strategy he used in defeating Ulf Andersson in the fourth round.

The basic thread that runs through 14

this sort of position is that Black must make a tower of strength out of his knight at K5 to compensate for the White bishop-pair. Had Miles tried to subvert the plan by 11 N-Q2, the position would have become level after 11 ... NxN: 12 QxN, N-K5.

Russo-Indian Defense			
White Miles	Black Thomson	White Miles	Black Thomson
1 N-K3	N-K3	2d Nxd5	N-K5
2 P-B4	P-QN3		

Aggressive as always. Miles pressed for a quiescent attack with 16 P-Q317, a pawn sacrifice that was better than	23 P-Q4	P-B2	27 N-K1	N-B2
move 16. P-P1? P-P2. P-P2.	24 P-Q3	P-B2	28 P-Q4	N-B2
N-QP? (17. B-P2? 18 Q-P2 leaves Black with a weak isolated and backward QP) 18 B-B4. P-B3: 19 P-N5, K-R1; 20 P-P2, Q-P2; 21 R-N, Q-R1; 22 B-Pch1, K-C2; 23 Q-N2ch, N-B3; 24 R-Q4 regains the pawn, yielding White positional superiority and little attacking value.	25 P-Q4	P-B2	29 P-Q4	N-B2
After 16. P-K4, Miles charged ahead with 17 P-B5, anticipating that 17... N-P2? 18 P-P, N-QP?; 19 N-P, P-Q2; 20 R-N1, N-R2; 21 B-B4, P	26 P-Q4	P-B2	30 P-Q4	N-B2
	27 P-Q4	P-B2	31 P-Q4	N-B2
	28 P-Q4	P-B2	32 P-Q4	N-B2
	29 P-Q4	P-B2	33 P-Q4	N-B2
	30 P-Q4	P-B2	34 P-Q4	N-B2
	31 P-Q4	P-B2	35 P-Q4	N-B2
	32 P-Q4	P-B2	36 P-Q4	N-B2
	33 P-Q4	P-B2	37 P-Q4	N-B2
	34 P-Q4	P-B2	38 P-Q4	N-B2
	35 P-Q4	P-B2	39 P-Q4	N-B2
	36 P-Q4	P-B2	40 P-Q4	N-B2
	37 P-Q4	P-B2	41 P-Q4	N-B2
	38 P-Q4	P-B2	42 P-Q4	N-B2
	39 P-Q4	P-B2	43 P-Q4	N-B2
	40 P-Q4	P-B2	44 P-Q4	N-B2
	41 P-Q4	P-B2	45 P-Q4	N-B2
	42 P-Q4	P-B2	46 P-Q4	N-B2
	43 P-Q4	P-B2	47 P-Q4	N-B2
	44 P-Q4	P-B2	48 P-Q4	N-B2
	45 P-Q4	P-B2	49 P-Q4	N-B2
	46 P-Q4	P-B2	50 P-Q4	N-B2
	47 P-Q4	P-B2	51 P-Q4	N-B2
	48 P-Q4	P-B2	52 P-Q4	N-B2
	49 P-Q4	P-B2	53 P-Q4	N-B2
	50 P-Q4	P-B2	54 P-Q4	N-B2
	51 P-Q4	P-B2	55 P-Q4	N-B2
	52 P-Q4	P-B2	56 P-Q4	N-B2
	53 P-Q4	P-B2	57 P-Q4	N-B2
	54 P-Q4	P-B2	58 P-Q4	N-B2
	55 P-Q4	P-B2	59 P-Q4	N-B2
	56 P-Q4	P-B2	60 P-Q4	N-B2
	57 P-Q4	P-B2	61 P-Q4	N-B2
	58 P-Q4	P-B2	62 P-Q4	N-B2
	59 P-Q4	P-B2	63 P-Q4	N-B2
	60 P-Q4	P-B2	64 P-Q4	N-B2
	61 P-Q4	P-B2	65 P-Q4	N-B2
	62 P-Q4	P-B2	66 P-Q4	N-B2
	63 P-Q4	P-B2	67 P-Q4	N-B2
	64 P-Q4	P-B2	68 P-Q4	N-B2
	65 P-Q4	P-B2	69 P-Q4	N-B2
	66 P-Q4	P-B2	70 P-Q4	N-B2
	67 P-Q4	P-B2	71 P-Q4	N-B2
	68 P-Q4	P-B2	72 P-Q4	N-B2
	69 P-Q4	P-B2	73 P-Q4	N-B2
	70 P-Q4	P-B2	74 P-Q4	N-B2
	71 P-Q4	P-B2	75 P-Q4	N-B2
	72 P-Q4	P-B2	76 P-Q4	N-B2
	73 P-Q4	P-B2	77 P-Q4	N-B2
	74 P-Q4	P-B2	78 P-Q4	N-B2
	75 P-Q4	P-B2	79 P-Q4	N-B2
	76 P-Q4	P-B2	80 P-Q4	N-B2
	77 P-Q4	P-B2	81 P-Q4	N-B2
	78 P-Q4	P-B2	82 P-Q4	N-B2
	79 P-Q4	P-B2	83 P-Q4	N-B2
	80 P-Q4	P-B2	84 P-Q4	N-B2
	81 P-Q4	P-B2	85 P-Q4	N-B2
	82 P-Q4	P-B2	86 P-Q4	N-B2
	83 P-Q4	P-B2	87 P-Q4	N-B2
	84 P-Q4	P-B2	88 P-Q4	N-B2
	85 P-Q4	P-B2	89 P-Q4	N-B2
	86 P-Q4	P-B2	90 P-Q4	N-B2
	87 P-Q4	P-B2	91 P-Q4	N-B2
	88 P-Q4	P-B2	92 P-Q4	N-B2
	89 P-Q4	P-B2	93 P-Q4	N-B2
	90 P-Q4	P-B2	94 P-Q4	N-B2
	91 P-Q4	P-B2	95 P-Q4	N-B2
	92 P-Q4	P-B2	96 P-Q4	N-B2
	93 P-Q4	P-B2	97 P-Q4	N-B2
	94 P-Q4	P-B2	98 P-Q4	N-B2
	95 P-Q4	P-B2	99 P-Q4	N-B2
	96 P-Q4	P-B2	100 P-Q4	N-B2

New-India Deluxe			
White Wine	Black Thames	White Wine	Black Thames
1 N-233	N-233	25 N-237	N-237
2 N-234	N-234	26 N-238	N-238
3 N-235	N-235	27 N-239	N-239
4 N-236	N-236	28 N-240	N-240
5 N-237	N-237	29 N-241	N-241
6 N-238	N-238	30 N-242	N-242
7 N-239	N-239	31 N-243	N-243
8 N-240	N-240	32 N-244	N-244
9 N-241	N-241	33 N-245	N-245
10 N-242	N-242	34 N-246	N-246
11 N-243	N-243	35 N-247	N-247
12 N-244	N-244	36 N-248	N-248
13 N-245	N-245	37 N-249	N-249
14 N-246	N-246	38 N-250	N-250
15 N-247	N-247	39 N-251	N-251
16 N-248	N-248	40 N-252	N-252
17 N-249	N-249	41 N-253	N-253
18 N-250	N-250	42 N-254	N-254
19 N-251	N-251	43 N-255	N-255
20 N-252	N-252	44 N-256	N-256
21 N-253	N-253	45 N-257	N-257
22 N-254	N-254	46 N-258	N-258
23 N-255	N-255	47 N-259	N-259
24 N-256	N-256	48 N-260	N-260

Thre Beats Stenmark for Ski Title

erican Is 2d to Zhirov in Final Giant Slalom to Capture World Cup

By Nick Stour

Switzerland — Phil

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The duel for the overall champi-

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Zhirov, who won four of the last

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second behind, and Zhirov in third

place. After Zhirov posted the best

composite time in the afternoon,

Mahre began his run. As he came

into view from the finish area the

U.S. Alpine program director, Bill

Marolt, clenched his fists and muf-

fered, "Push, Push." When

Mahre's time flashed on the score-

board it was evident that he was

the new champion.

Brotherly Advice

"It's hard to believe," Mahre

said while still catching his breath.

"It means a lot, as much or more

as an Olympic medal."

While he patiently cooperated

with the throng of reporters and

photographers that immediately

surrounded him, Mahre took time

to radio instructions to his twin

brother, Steve, who had yet to

come down.

"Just get the rhythm at the

start," he shouted into a walkie-

talkie. "You've got to get around

that first pitch. Make good crisp

turns. Then, on that sidehill down

below you're working toward that

last little pitch. After that it's fairly

straight so just let 'em run. Then

just that last little turn for the last

flat down here."

Steve Mahre, who was 14th after

the first run, ended the day in 19th

place.

Phil Mahre's results in the early

part of the year were not impres-

sive. Until the slalom race in St.

Gretzky Equals Record

DETROIT — Wayne Gretzky

tied the National Hockey League

single-season scoring record Satur-

day night, scoring an assist in the

Edmonton Oilers' 4-2 victory over

the Detroit Red Wings. With 53

goals and 99 assists, he has equal-

ed the 152 points scored by Phil

Esposito during the 1970-71 sea-

son, when Esposito scored 76 goals

and 76 assists.

While Nadig clinched the over-

all women's title in Furano, Japan,

two weeks before the season's end,

her Swiss teammate, Erika Hess,

stole some of her glory. Hess did

nothing less than win the final six

women's slalom races. Then, when

there were no more slalom races

left to win, she captured a giant

slalom, the season finale.

The Russians Arrived

It was also the year in which the

Russians arrived. With four solid

Social Safety Nets

Who first applied the safety-net metaphor to social welfare? It may have begun with Jude Wanniski, an editorial writer for *The Wall Street Journal* in the 1970s. "The safety-net idea that I used," he recalls, "applied to the international banking system — that is, there would be an international lender of last resort that would come in as a

Now, however, as part of the social-safety net, the word "workfare" has been resuscitated. Nothing is wasted.

Free-Lance Conductor

Conductor Fruehbeck: N

Joel Richardson, *The Washington Post*
unnecessary gestures.

Fruehbeck began his conducting career in the theater. "When I was 17," he says, "I became a

Good; it will make me famous. When I am invited to conduct an opera, I am very careful to see who is the stage director."

thanks, they'd rather not have a 23-foot-long red, white and blue toothbrush on their campus. "I'm not attracted by his effort," said Regent Grace Ellsworth. "Some-

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